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MANAGEMENT REPORT

DETAILED COST-OF-DOING BUSINESS DATA FOR HARDWARE STORES

Price:

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NRHA
National
Retail Hardware
Association

Prepared by:

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Introduction

The **National Retail Hardware Association** annually publishes detailed financial operating reports for three types of do-it-yourself retailers. Studies available are the Management Report for hardware stores, the Bottom Line report for home centers, and the Profit Report for retail lumber outlets.

THE MANAGEMENT REPORT
The 1991 Management Report outlines financial operating data for contributing retail hardware operations. This report is designed to:

- Assess financial performances of retail hardware stores in 1990.
- Provide comparative financial data to allow retailers the opportunity to measure their performance against industry standards.
- Provide a benchmark for profit planning enabling hardware retailers to improve performance levels on a continuing basis.

Additionally, the report provides an accurate and valid means for manufacturers, wholesalers, and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections
The Management Report is divided into four major sections: Historical Trends for 1986 through 1990; The Strategic Profit Model; Average Operating Results for 1990; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Trends provides income statement and balance sheet data for 1990 and the four previous Management Reports, 1986-1989. This section also includes performance of individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and overall financial performance. Income statement items are presented as a percentage of net sales and balance sheet items appear as a percentage of total assets.

Departmental Information is based on the percent of contributing stores stocking and promoting (handling) major departments found in retail hardware stores. The percent of net sales, sales floor, and inventory are outlined for both handling firms only and for an average store. Departmental productivity is compared by determining the gross margin return on inventory investment for each department.

Type of Store
A variety of factors influence the cost of doing business for any hardware store. Therefore, report data are presented by various store characteristics for comparison. Information contained in Average Operating Results is presented for the following store characteristics:

- All Stores
- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores
- Age of Operation

Methodology
The Management Report is made possible only through the cooperation of the retail hardware operators who provide NRHA with detailed financial information on their individual stores.

Questionnaires were mailed in February 1991 and six hundred forty-six usable returns were received by May 1991 for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Research Services Staff. Forms were coded for computer processing and all identification was removed. The data was keypunched and then processed by an independent data processing firm.

As thanks for participation in this project, each contributing hardware store operator was provided a personalized computer analysis. This analysis compares each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the average for the entire sample.

For Assistance
Assistance and aid in interpreting the 1991 Management Report may be obtained from your regional hardware association or the National Retail Hardware Association, 5822 West 74th Street, Indianapolis, Indiana 46278 or phone (317) 290-0338.

Historical Trends

Income Statement Data	ALL HARDWARE STORES FISCAL YEAR 1990	1989	1988	1987	1986
Net Sales Volume	$935,182	$875,833	$799,386	$776,627	$682,263
Gross Sales	101.24	101.44%	101.66%	101.61%	101.96%
Less: Total Deductions	1.24	1.44	1.66	1.61	1.96
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	65.21	64.63	64.63	65.22	65.08
Margin Before Purchase Rebate or Patronage Dividend	34.79	35.37	35.37	34.78	34.92
Purchase Rebate or Patronage Dividend	1.11	1.25	1.22	1.11	1.14
Margin After Purchase Rebate or Patronage Dividend	35.90	36.62	36.60	35.89	36.06
Payroll and Other Employee Expense					
Salaries -- Owners/Officers/Managers	3.92	4.29	4.34	4.38	4.42
Salaries/Wages -- Other Employees	12.53	12.85	12.46	11.88	12.44
Federal and State Payroll Taxes	1.37	1.45	1.45	1.39	1.41
Group Insurance	.96	.87	.71	.64	.64
Benefit Plans	.30	.39	.40	.55	.46
Total Payroll and Other Employee Expense	19.07	19.84	19.36	18.84	19.37
Occupancy Expense					
Heat, Light, Power, Water	1.00	1.05	1.01	1.06	1.15
Building Repairs and Maintenance	.36	.37	.30	.25	.30
Rent or Ownership in Real Estate*	4.12	4.12	4.01	3.89	3.80
Total Occupancy Expense	5.48	5.53	5.32	5.19	5.25
Other Costs of Doing Business					
Advertising and Promotion	2.40	2.39	2.59	2.53	2.50
Insurance (Other than Real Estate and Group)	.77	.75	.79	.83	.89
Taxes (Other than Real Estate and Payroll)	.39	.43	.49	.56	.57
Interest (Other than Real Estate)	1.36	1.45	1.18	1.38	1.32
Depreciation (Other than Real Estate)	.85	.90	.89	1.00	.99
All Other Expenses	3.96	3.63	3.80	3.84	3.76
Total Other Costs of Doing Business	9.72	9.55	9.74	10.14	10.04
Total Operating Expenses	34.28	34.92	34.42	34.17	34.65
Operating Profit or Loss	1.62	1.70	2.18	1.72	1.41
Other Income	1.53	1.54	1.58	1.53	1.68
Net Operating Profit or Loss (Before Income Taxes)	3.15	3.24	3.76	3.25	3.09
Financial Performance					
Profit on Investment	12.42%	12.70%	13.80%	13.42%	11.76%
Active Owner's Return	27.88%	29.50%	29.70%	31.51%	28.58%
Current Asset Ratio	3.41x	3.34x	3.47x	3.04x	3.39x
Quick Asset Ratio	.89x	.91x	.98x	.83x	.91x
Total Debt to Tangible Net Worth	92.78%	97.34%	88.35%	102.97%	90.91%
Stock Turn Times	2.59x	2.55x	2.48x	2.61x	2.45x
Sales to Inventory Ratio	3.98x	3.95x	3.84x	4.00x	3.77x
Average Inventory per Square Foot Sales Area	$29.96	$28.87	$30.17	$28.09	$28.00
Net Sales to Accounts Receivable	22.04x	20.48x	20.21x	21.30x	21.09x
Net Sales to Total Assets	2.04x	1.99x	1.95x	2.03x	1.99x
Net Sales to Net Worth	3.94x	3.92x	3.67x	4.13x	3.81x
Net Sales to Net Working Capital	4.11x	4.06x	3.82x	2.93x	2.80x
Other Operating Data					
Credit Sales -- % of Total Gross Sales	32.63%	31.84%	30.67%	30.23%	31.27%
Consumer Sales -- % of Total Gross Sales	67.37%	68.16%	69.33%	74.62%	74.39%
Selling Area -- Square Feet	7,698	7,393	6,838	5,977	5,827
Sales Per Square Foot -- Selling Area	$126.06	$113.84	$117.58	$113.63	$105.34
Total Area -- Square Feet	10,958	11,319	10,258	8,802	9,059
Sales Per Square Foot -- Total Area	$87.64	$75.88	$77.81	$77.53	$67.11
Sales Per Person Employed	$75,851	$89,624	$85,073	$80,682	$75,418
Sales Per Customer	$11.74	$11.09	$11.71	$11.18	$9.64

*Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated due to rounding.

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Historical Trends

Department	Percent Of Net Sales*					Sales Per Square Foot				
	1990	1989	1988	1987	1986	1990	1989	1988	1987	1986
Hardware	14.8%	15.7%	15.3%	14.5%	14.9%	$123.94	$114.56	$114.58	$112.89	$108.36
Hand Tools	5.8	5.9	6.0	5.4	6.1	119.47	126.03	140.44	110.72	129.07
Power Tools & Accessories	4.0	3.9	4.5	3.9	4.7	115.97	142.49	155.30	143.52	132.05
Plumbing, Heating & Cooling	13.2	12.5	13.2	11.9	12.9	136.23	123.59	134.27	120.02	121.70
Electrical Supplies	9.7	9.8	9.9	8.9	9.5	138.50	129.33	145.40	127.69	134.72
Paint & Home Decorating	13.4	12.9	12.7	11.5	12.5	140.98	128.39	139.69	114.33	132.89
Lumber	.7	.8	.8	.5	.8	71.49	51.12	133.72	88.81	125.18
Building Materials	1.7	1.3	1.7	1.2	1.5	109.24	113.12	129.46	119.59	135.44
Lawn & Garden	11.7	12.8	12.1	13.4	13.4	131.51	122.40	115.92	118.95	114.89
Housewares	7.2	7.3	7.6	8.6	7.4	87.80	86.61	93.84	79.30	76.58
Automotive Supplies	3.2	2.7	2.8	2.8	2.5	107.89	93.48	118.80	104.83	84.24
Major Appliances & Home Entertainment	3.2	2.5	2.9	4.1	2.3	149.39	158.24	135.16	135.49	143.55
Sporting Goods & Outdoor Living	3.5	3.3	3.1	3.5	3.3	108.69	107.11	119.61	94.99	78.75
Miscellaneous Goods	7.9	8.6	7.6	9.9	8.2	122.95	113.07	121.60	124.29	107.42

Department	Sales To Inventory Ratio					Gross Margin Return On Inventory				
	1990	1989	1988	1987	1986	1990	1989	1988	1987	1986
Hardware	4.1x	3.8x	3.7x	3.7x	3.6x	$1.85	$1.74	$1.66	$1.63	$1.66
Hand Tools	3.7	3.8	3.8	3.6	3.8	1.42	1.45	1.45	1.32	1.47
Power Tools & Accessories	3.5	3.5	3.7	3.3	3.4	1.05	1.02	1.16	.96	.93
Plumbing, Heating & Cooling	4.7	4.2	4.5	4.4	4.4	2.06	1.91	1.95	1.89	1.98
Electrical Supplies	4.7	4.4	4.3	4.3	4.6	1.95	1.89	1.83	1.80	1.97
Paint & Home Decorating	4.5	4.5	4.2	4.4	4.5	1.76	1.80	1.64	1.77	1.80
Lumber	3.8	3.7	3.3	3.8	5.3	1.24	1.16	1.17	.99	.78
Building Materials	5.2	4.2	4.9	4.6	5.7	2.02	1.38	1.72	1.47	1.41
Lawn & Garden	4.1	4.4	4.0	4.4	4.7	1.44	1.54	1.37	1.48	1.66
Housewares	3.8	3.6	3.7	3.1	3.5	1.25	1.25	1.29	1.05	1.23
Automotive Supplies	4.2	4.3	4.1	4.0	3.1	1.48	1.57	1.41	1.42	1.09
Major Appliances & Home Entertainment	3.7	3.6	3.7	3.6	4.1	.92	1.00	.95	.75	.72
Sporting Goods & Outdoor Living	3.8	3.9	3.9	3.1	3.2	1.25	1.34	1.36	1.04	1.00
Miscellaneous Goods	4.2	4.4	3.7	4.0	3.1	1.44	1.64	1.41	1.38	1.06

* Average Hardware Store

Monthly Sales

Month	1990	1989	1988	1987	1986
January	6.4%	6.1%	6.4%	6.5%	6.3%
February	5.9	5.7	5.9	5.9	5.7
March	7.6	7.1	7.4	7.3	7.4
April	8.7	8.9	9.0	9.0	8.9
May	9.5	9.8	9.6	9.7	9.9
June	9.6	9.5	9.4	9.3	9.2
July	8.9	8.7	8.4	8.8	8.9
August	8.6	8.5	8.4	8.4	8.6
September	8.1	8.2	8.1	8.0	8.0
October	8.5	8.4	8.5	8.6	8.5
November	8.6	8.6	8.5	8.1	8.6
December	10.0	10.5	10.8	10.4	10.0

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hardware retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria -- Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales -- Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold -- Improve Gross Margin through variable pricing, inventory control, etc.

Expenses -- Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory -- Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable -- Review status of accounts. If excessively high without the use of a finance charge, customers are operating on the firm's money.

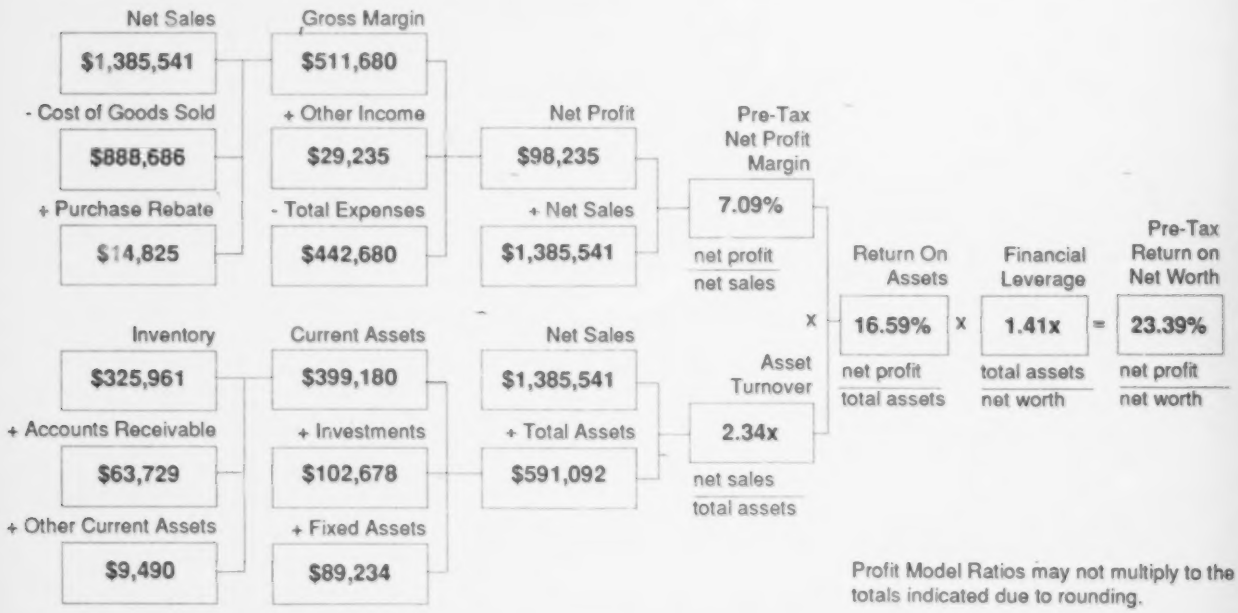
Fixed Assets -- Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High Profit Stores



Profit Model Ratios may not multiply to the totals indicated due to rounding.

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1990 Highlights

Type Of Hardware Store	1990 Net Sales ($)	Sales Increase Over 1989* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Hardware Stores	935,182	+2.38	35.90	3.15	12.42	2.59
Low Profit	754,710	-0.70	35.58	-2.93	-19.11	2.30
High Profit	1,385,541	+3.82	36.94	7.10	23.51	2.79
Sales Volume Size						
Under $250,000	173,979	+0.01	35.30	-1.41	-3.63	1.32
$250,000 to $499,999	375,513	+2.23	38.44	2.62	9.12	1.95
$500,000 to $749,999	634,643	+4.57	39.10	4.08	16.66	2.22
$750,000 to $999,999	875,934	+3.23	36.43	3.01	11.68	2.57
$1,000,000 to $1,999,999	1,367,525	+2.89	35.92	3.39	13.82	2.69
$2,000,000 or more	2,890,188	+0.57	33.00	2.85	11.50	3.25
Sales Floor Size						
Under 3,000 Sq. Ft.	382,666	-0.62	40.10	3.55	10.73	2.37
3,000 to 4,999 Sq. Ft.	534,242	+2.28	37.82	4.99	21.52	2.54
5,000 to 9,999 Sq. Ft.	905,737	+5.14	37.37	3.61	14.52	2.73
10,000 Sq. Ft. or more	1,740,526	+0.46	34.34	2.43	10.31	2.81
Type of Ownership						
Proprietorship	507,469	-1.68	36.09	6.51	23.84	2.46
Partnership	749,319	+6.90	36.27	5.35	18.65	2.27
Corporation	1,079,584	+2.67	35.70	3.02	11.93	2.71
Sub "S" Corporation	1,104,738	+0.42	37.41	2.53	12.50	2.86
Trade Area Size						
M.S.A. - Central City	1,102,960	+1.50	40.43	3.77	16.19	2.84
M.S.A. - Suburban	1,055,820	+1.30	40.08	2.91	10.67	2.43
Cities 10,000 to 50,000	1,111,836	-0.10	35.61	2.58	10.68	2.69
Towns Under 10,000	859,541	+4.85	34.38	3.59	14.50	2.73
Store Location: Part I						
Downtown	904,257	+3.13	35.69	3.65	14.98	2.77
Suburban	1,017,270	+3.13	38.24	3.42	13.88	2.56
Rural	859,626	+2.19	34.41	2.83	13.59	2.65
Store Location: Part II						
Shopping Centers - Neighborhood	875,736	+0.76	38.10	2.40	11.22	2.56
Shopping Centers - Community or Regional	1,322,580	+0.72	35.62	3.44	16.39	2.91
Free-Standing - No Stores Adjacent	940,175	+3.18	35.96	2.67	11.35	2.78
Free-Standing - Stores Nearby	982,430	+3.67	35.38	3.78	14.18	2.71
Number of Stores						
Single Store Business	901,634	+3.55	36.47	3.51	13.65	2.56
Multiple Store Business	1,175,959	-2.69	32.73	1.18	5.01	2.78
Age of Operation						
Less Than 3 Years Old	925,857	+2.79	31.80	2.75	13.79	2.68
More Than 3 Years Old	991,679	+2.51	36.16	3.33	13.35	2.72

* As reported by Management Report Contributors.

1990 Monthly Sales

	%
January	6.4
February	5.9
March	7.6
April	8.7
May	9.5
June	9.6
July	8.9
August	8.6
September	8.1
October	8.5
November	8.8
December	10.0

All Stores

Income Statement Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Number of Stores	646	158	159
Net Sales Volume	$935,182	$754,710	$1,385,541
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	2.38%	-.70%	3.82%
Gross Sales	101.24%	100.89%	101.33%
Less: Total Deductions	1.24	.89	1.33
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.21	65.59	64.14
Margin Before Purchase Rebate or Patronage Dividend	34.79	34.41	35.86
Purchase Rebate or Patronage Dividend	1.11	1.17	1.07
Margin After Purchase Rebate or Patronage Dividend	35.90	35.58	36.94
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	3.92	3.90	3.44
Salaries/Wages - Other Employees	12.53	13.95	12.50
Federal and State Payroll Taxes	1.37	1.48	1.38
Group Insurance	.96	1.02	.84
Benefit Plans	.30	.18	.34
Total Payroll and Other Employee Expense	19.07	20.52	18.49
Occupancy Expense			
Heat, Light, Power, Water	1.00	1.30	.88
Building Repairs and Maintenance	.36	.41	.36
Rent or Ownership in Real Estate**	4.12	5.38	3.64
Total Occupancy Expense	5.48	7.09	4.89
Other Costs of Doing Business			
Office Supplies and Postage	.46	.47	.35
Advertising and Promotion	2.40	2.78	2.31
Donations	.07	.05	.09
Telephone and Telegraph	.30	.35	.26
Bad Debts	.14	.12	.15
Credit Card Expense (Bank Charges)	.21	.34	.21
Delivery Expenses (Other than Wages)	.35	.41	.26
Leasing Expenses (Non-Occupancy)	.11	.17	.11
Insurance (Other than Real Estate and Group)	.77	.81	.63
Taxes (Other than Real Estate and Payroll)	.39	.46	.42
Interest (Other than Real Estate)	1.36	2.20	.98
Depreciation (Other than Real Estate)	.85	1.19	.75
Store and Shop Supplies	.54	.67	.48
Legal and Accounting	.49	.51	.48
Computer Services and Expenses (Other than Wages)	.22	.35	.18
Dues and Subscriptions	.08	.09	.07
Travel, Buying, Entertainment	.22	.23	.21
Miscellaneous Services	.13	.23	.07
Unclassified Expenses	.64	.64	.57
Total Other Costs of Doing Business	9.72	12.06	8.57
Total Operating Expenses	34.28	39.67	31.95
Operating Profit or Loss	1.62	-4.09	4.99
Other Income	1.53	1.16	2.11
Net Operating Profit or Loss (Before Income Taxes)	3.15	-2.93	7.10

* As reported to NRHA by Management Report Contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.

†† Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated due to rounding.

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All Stores

Balance Sheet Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Total Dollar Assets	$457,367	$396,208	$659,039
% of Total Assets			
Assets			
Cash On Hand and In Bank	5.86	2.41	8.27
Notes and Installment Contracts Receivable	1.91	1.27	2.03
Accounts Receivable	9.28	7.77	9.67
Merchandise Inventory - (End of Year)	52.10	54.81	49.46
Other Current Assets.	1.29	1.46	1.44
Total Current Assets	70.44	67.73	70.88
Stocks and Bonds	5.25	4.19	6.46
Real Estate (Not Used In Business)	.44	.26	.63
Other Investments	7.91	8.42	8.49
Total Investments	13.60	12.87	15.58
Land (Owned and Used In Business)	2.08	2.95	1.44
Buildings (Owned and Used In Business Less Depreciation)	6.01	6.78	5.08
Leasehold Improvements (Less Amortization Allowance)	1.40	1.53	1.42
Furniture, Fixtures, Equip. (Owned and Used in Bus. Less Depre.)	4.57	6.22	3.82
Delivery Equipment (Owned and Used in Business Less Deprec.)	1.31	1.10	1.14
Other Fixed Assets	.61	.83	.64
Total Fixed Assets	15.96	19.40	13.54
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	10.51	12.45	9.69
Current Portion of Notes Payable	6.17	12.91	3.99
Accrued Payroll Taxes	.45	.43	.44
Accrued Other Taxes	.97	.79	1.18
Other Accrued Expenses	1.31	1.28	1.52
Other Current Liabilities	1.25	1.00	.75
Total Current Liabilities	20.65	28.87	17.57
Notes Due Partners/Officers	6.92	11.25	4.75
Mortgage Payable	3.95	4.43	2.65
Long Term Debt	15.54	24.07	11.05
Other Long Term Liabilities	1.06	2.15	.52
Total Long Term Liabilities	27.47	41.90	18.97
Total Liabilities	48.13	70.77	36.54
Net Worth	51.87	29.23	63.46
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	12.42%	-19.11%	23.51%
Active Owner's Return	27.88%	6.29%	34.90%
Current Asset Ratio	3.41	2.35	4.03
Quick Asset Ratio	.89	.45	1.22
Total Debt to Tangible Net Worth	92.78%	242.07%	57.57%
Stock Turn Times	2.59	2.30	2.79
Sales to Inventory Ratio	3.98	3.50	4.36
Average Inventory per Sq. Ft. Sales Area	$29.96	$27.97	$29.63
Net Sales to Accounts Receivable	22.04	24.51	21.74
Net Sales to Total Assets	2.04	1.90	2.10
Net Sales o Net Worth	3.94	6.52	3.31
Net Sales to Net Working Capital	4.11	4.90	3.94
Other Operating Data			
Credit Sales - % of Total Gross Sales	32.63%	32.97%	33.93%
Consumer Sales - % of Total Gross Sales	67.37%	67.03%	66.07%
Selling Area - Square Feet	7,698	7,882	9,722
Sales Per Square Foot - Selling Area	$126.06	$104.22	$138.30
Total Area - Square Feet	10,958	10,491	13,815
Sales Per Square Foot - Total Area	$87.64	$70.55	$96.88
Sales Per Person Employed	$75,851	$78,552	$99,084
Sales Per Customer	$11.74	$11.61	$12.01

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

Sales Volume Size

Income Statement Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999
Number of Stores	47	166	142
Net Sales Volume	$173,979	$375,513	$634,643
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	.01%	2.23%	4.57%
Gross Sales	100.67%	101.13%	101.32%
Less: Total Deductions	.67	1.13	1.32
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.89	62.93	62.17
Margin Before Purchase Rebate or Patronage Dividend	34.11	37.07	37.83
Purchase Rebate or Patronage Dividend	1.19	1.38	1.27
Margin After Purchase Rebate or Patronage Dividend	35.30	38.44	39.10
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	5.04	5.36	4.57
Salaries/Wages - Other Employees	10.58	11.62	12.53
Federal and State Payroll Taxes	1.28	1.42	1.48
Group Insurance	.62	.87	.86
Benefit Plans	.01	.13	.23
Total Payroll and Other Employee Expense	17.53	19.40	19.66
Occupancy Expense			
Heat, Light, Power, Water	1.88	1.42	1.16
Building Repairs and Maintenance	.32	.33	.42
Rent or Ownership in Real Estate**	5.70	5.12	4.70
Total Occupancy Expense	7.89	6.87	6.29
Other Costs of Doing Business			
Office Supplies and Postage	.57	.53	.51
Advertising and Promotion	2.95	2.55	2.56
Donations	.10	.08	.10
Telephone and Telegraph	.56	.39	.38
Bad Debts	.24	.10	.13
Credit Card Expense (Bank Charges)	.14	.19	.20
Delivery Expenses (Other than Wages)	.48	.46	.47
Leasing Expenses (Non-Occupancy)	.11	.13	.13
Insurance (Other than Real Estate and Group)	1.13	1.10	.90
Taxes (Other than Real Estate and Payroll)	.40	.39	.44
Interest (Other than Real Estate)	2.33	1.90	1.79
Depreciation (Other than Real Estate)	.97	1.10	1.01
Store and Shop Supplies	.59	.57	.48
Legal and Accounting	.74	.55	.61
Computer Services and Expenses (Other than Wages)	.13	.17	.15
Dues and Subscriptions	.15	.09	.09
Travel, Buying, Entertainment	.34	.22	.24
Miscellaneous Services	.14	.09	.19
Unclassified Expenses	1.20	.59	.60
Total Other Costs of Doing Business	13.28	11.19	10.96
Total Operating Expenses	38.70	37.46	36.90
Operating Profit or Loss	-3.41	.98	2.20
Other Income	2.00	1.63	1.88
Net Operating Profit or Loss (Before Income Taxes)	-1.41	2.62	4.08

* As reported to NRHA by Management Report Contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Volume Size

Income Statement Data	$750,000 To $999,999	$1,000,000 To $1,999,999	$2,000,000 Or More
Number of Stores	87	146	58
Net Sales Volume	$875,934	$1,367,525	$2,890,188
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	3.23%	2.89%	.57%
Gross Sales	102.01%	101.27%	100.89%
Less: Total Deductions	2.01	1.27	.89
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.84	65.33	67.68
Margin Before Purchase Rebate or Patronage Dividend	35.16	34.67	32.32
Purchase Rebate or Patronage Dividend	1.27	1.25	.68
Margin After Purchase Rebate or Patronage Dividend	36.43	35.92	33.00
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	4.53	3.96	2.67
Salaries/Wages - Other Employees	12.46	12.49	13.03
Federal and State Payroll Taxes	1.48	1.46	1.15
Group Insurance	.97	.90	1.12
Benefit Plans	.16	.24	.55
Total Payroll and Other Employee Expense	19.59	19.04	18.52
Occupancy Expense			
Heat, Light, Power, Water	1.04	.92	.80
Building Repairs and Maintenance	.35	.34	.36
Rent or Ownership in Real Estate**	4.04	4.22	3.27
Total Occupancy Expense	5.43	5.48	4.43
Other Costs of Doing Business			
Office Supplies and Postage	.49	.40	.47
Advertising nd Promotion	2.51	2.54	2.02
Donations.	.06	.06	.07
Telephone and Telegraph	.34	.28	.22
Bad Debts	.13	.15	.15
Credit Card Expense (Bank Charges)	.24	.19	.24
Delivery Expenses (Other than Wages)	.38	.32	.27
Leasing Expenses (Non-Occupancy)	.07	.11	.11
Insurance (Other than Real Estate and Group)	.73	.74	.60
Taxes (Other than Real Estate and Payroll)	.37	.37	.41
Interest (Other than Real Estate)	1.32	1.28	.99
Depreciation (Other than Real Estate)	.93	.77	.72
Store and Shop Supplies	.58	.54	.53
Legal and Accounting	.38	.37	.61
Computer Services and Expenses (Other than Wages)	.20	.34	.14
Dues and Subscriptions	.08	.08	.05
Travel, Buying, Entertainment	.24	.22	.18
Miscellaneous Services	.07	.10	.17
Unclassified Expenses	.57	.53	.81
Total Other Costs of Doing Business	9.68	9.39	8.75
Total Operating Expenses	34.71	33.91	31.70
Operating Profit or Loss	1.72	2.00	1.30
Other Income	1.29	1.39	1.55
Net Operating Profit or Loss (Before Income Taxes)	3.01	3.39	2.85

* As reported to NRHA by Management Report Contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999
Total Dollar Assets	$166,464	$224,324	$335,570
		% of Total Assets	
Assets			
Cash On Hand and In Bank	7.37	7.69	4.86
Notes and Installment Contracts Receivable	.45	1.75	1.84
Accounts Receivable	6.87	6.99	7.99
Merchandise Inventory (End of Year)	52.26	54.12	54.18
Other Current Assets	1.39	.83	1.58
Total Current Assets	68.34	71.39	70.46
Stocks and Bonds	3.92	5.66	5.64
Real Estate (Not Used In Business)	.52	.98	.17
Other Investments	7.65	6.96	6.42
Total Investments	12.09	13.60	12.23
Land (Owned and Used In Business)	3.68	1.77	2.58
Buildings (Owned and Used In Business Less Depreciation)	9.73	5.94	6.36
Leasehold Improvements (Less Amortization Allowance)	.42	1.06	.72
Furniture, Fixtures, Equip. (Owned and Used in Bus. Less Depre.)	4.43	4.01	4.96
Delivery Equip. (Owned and Used in Business Less Deprec.)	1.03	1.50	1.41
Other Fixed Assets	.27	.73	1.28
Total Fixed Assets	19.57	15.01	17.31
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	7.00	6.93	9.94
Current Portion of Notes Payable	8.77	6.25	4.88
Accrued Payroll Taxes	.43	.63	.58
Accrued Other Taxes	.62	.72	.68
Other Accrued Expenses	.47	.86	1.22
Other Current Liabilities	.22	.62	2.10
Total Current Liabilities	17.51	16.00	19.39
Notes Due Partners/Officers	8.82	10.67	11.97
Mortgage Payable	9.63	4.35	3.75
Long Term Debt	16.90	20.18	17.14
Other Long Term Liabilities	6.55	.71	1.44
Total Long Term Liabilities	41.91	35.92	34.30
Total Liabilities	59.43	51.91	53.69
Net Worth	40.57	48.09	46.31
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	-3.63%	9.12%	16.66%
Active Owner's Return	9.35%	27.78%	35.31%
Current Asset Ratio	3.90	4.46	3.63
Quick Asset Ratio	.92	1.08	.84
Total Debt to Tangible Net Worth	146.46%	107.96%	115.94%
Stock Turn Times	1.32	1.95	2.22
Sales to Inventory Ratio	2.00	3.10	3.58
Average Inventory per Sq. Ft. Sales Area	$22.75	$25.89	$25.81
Net Sales to Accounts Receivable	15.22	23.94	23.67
Net Sales to Total Assets	1.05	1.67	1.89
Net Sales to Net Worth	2.58	3.48	4.08
Net Sales to Net Working Capital	2.06	3.02	3.70
Other Operating Data			
Credit Sales - % of Total Gross Sales	28.60%	31.59%	32.41%
Consumer Sales - % of Total Gross Sales	71.40%	68.41%	67.59%
Selling Area - Square Feet	3,845	4,592	6,370
Sales Per Square Foot - Selling Area	$47.54	$81.59	$99.55
Total Area - Square Feet	6,301	6,473	8,904
Sales Per Square Foot - Total Area	$29.90	$57.50	$71.31
Sales Per Person Employed	$46,124	$66,754	$85,161
Sales Per Customer	$7.91	$9.06	$10.35

Figures may not add to totals indicated due to rounding.

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Sales Volume Size

Balance Sheet Data	$750,000 To $999,999	$1,000,000 To $1,999,999	$2,000,000 Or More
Total Dollar Assets	$418,131	$644,606	$1,245,803
		% of Total Assets	
Assets			
Cash On Hand and In Bank	6.28	6.42	4.47
Notes and Installment Contracts Receivable	2.93	1.72	1.92
Accounts Receivable	8.67	9.62	11.44
Merchandise Inventory - (End of Year)	52.70	52.53	48.81
Other Current Assets	1.13	1.56	1.06
Total Current Assets	71.71	71.85	67.69
Stocks and Bonds	5.48	5.35	4.69
Real Estate (Not Used In Business)	.24	.50	.34
Other Investments	8.02	8.06	9.16
Total Investments	13.74	13.90	14.19
Land (Owned and Used In Business)	2.48	1.73	1.97
Buildings (Owned and Used In Business Less Deprec.)	4.06	4.82	7.93
Leasehold Improvements (Less Amortization Allowance)	2.22	1.68	1.36
Furniture, Fixtures, Equip. (Owned and Used in Bus. Less Deprec.)	4.04	4.67	4.73
Delivery Equip. (Owned and Used in Bus. Less Deprec.)	1.27	1.10	1.45
Other Fixed Assets	.48	.24	.67
Total Fixed Assets	14.55	14.24	18.12
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	11.06	11.92	11.00
Current Portion of Notes Payable	5.36	7.27	5.69
Accrued Payroll Taxes	.45	.47	.24
Accrued Other Taxes	1.06	1.17	1.01
Other Accrued Expenses	1.29	1.20	1.85
Other Current Liabilities	.99	.93	1.66
Total Current Liabilities	20.21	22.95	21.46
Notes Due Partners/Officers	5.35	4.29	5.69
Mortgage Payable	3.97	2.81	4.73
Long Term Debt	16.56	16.38	10.32
Other Long Term Liabilities	-.10	1.56	.34
Total Long Term Liabilities	25.79	25.03	21.08
Total Liabilities	46.00	47.99	42.54
Net Worth	54.00	52.01	57.46
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	11.68%	13.82%	11.50%
Active Owner's Return	29.25%	29.99%	22.26%
Current Asset Ratio	3.55	3.13	3.15
Quick Asset Ratio	.94	.84	.88
Total Debt to Tangible Net Worth	85.18%	92.26%	74.03%
Stock Turn Times	2.57	2.69	3.25
Sales to Inventory Ratio	3.97	4.12	4.80
Average Inventory per Sq. Ft. Sales Area	$28.60	$32.02	$35.45
Net Sales to Accounts Receivable	24.17	22.06	20.29
Net Sales to Total Assets	2.09	2.12	2.32
Net Sales to Net Worth	3.88	4.08	4.04
Net Sales to Net Working Capital	4.07	4.34	5.02
Other Operating Data			
Credit Sales - % of Total Gross Sales	27.54%	36.08%	31.26%
Consumer Sales - % of Total Gross Sales	72.46%	63.92%	68.74%
Selling Area - Square Feet	7,481	9,693	16,023
Sales Per Square Foot - Selling Area	$117.98	$139.72	$177.65
Total Area - Square Feet	10,022	14,012	24,519
Sales Per Square Foot - Total Area	$88.24	$96.82	$119.84
Sales Per Person Employed	$86,548	$94,420	$60,109
Sales Per Customer	$10.45	$12.33	$14.25

Figures may not add to totals indicated due to rounding.

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Number of Stores	37	117	220	113
Net Sales Volume	$382,666	$534,242	$905,737	$1,740,526
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	-.62%	2.28%	5.14%	.46%
Gross Sales	101.38%	101.21%	101.59%	101.07%
Less: Total Deductions	1.38	1.21	1.59	1.07
Net sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	60.95	63.03	63.76	66.55
Margin Before Purchase Rebate or Patronage Dividend	39.05	36.97	36.24	33.45
Purchase Rebate or Patronage Dividend	1.06	.86	1.13	.89
Margin After Purchase Rebate or Patronage Dividend	40.10	37.82	37.37	34.34
Payroll and Other Employee Expense				
Salaries - Owners/Officers/Managers	6.90	4.75	4.45	3.35
Salaries/Wages - Other Employees	12.71	11.13	12.64	12.81
Federal and State Payroll Taxes	1.69	1.47	1.46	1.27
Group Insurance	.79	.78	.89	1.09
Benefit Plans	.14	.23	.35	.36
Total Payroll and Other Employee Expense	22.22	18.35	19.78	18.87
Occupancy Expense				
Heat, Light, Power, Water	1.13	1.00	.95	.99
Building Repairs and Maintenance	.21	.39	.37	.40
Rent or Ownership in Real Estate**	4.53	4.48	4.39	3.91
Total Occupancy Expense	5.87	5.87	5.71	5.30
Other Costs of Doing Business				
Office Supplies and Postage	.59	.53	.46	.51
Advertising and Promotion	1.94	2.34	2.33	2.32
Donations	.06	.08	.09	.07
Telephone and Telegraph	.41	.34	.33	.26
Bad Debts	.15	.11	.16	.12
Credit Card Expense (Bank Charges)	.16	.22	.20	.26
Delivery Expenses (Other than Wages)	.42	.43	.39	.27
Leasing Expenses (Non-Occupancy)	.07	.17	.12	.11
Insurance (Other than Real Estate and Group)	1.30	.93	.83	.55
Taxes (Other than Real Estate and Payroll)	.34	.39	.47	.37
Interest (Other than Real Estate)	.65	1.46	1.35	1.23
Depreciation (Other than Real Estate)	.91	1.10	.78	.72
Store and Shop Supplies	.50	.42	.55	.54
Legal and Accounting	.54	.70	.37	.56
Computer Services and Expenses (Other than Wages)	.25	.39	.25	.18
Dues and Subscriptions	.06	.08	.07	.07
Travel, Buying, Entertainment	.16	.25	.23	.22
Miscellaneous Services	.03	.09	.11	.15
Unclassified Expenses	.89	.81	.55	.76
Total Other Costs of Doing Business	9.42	10.84	9.62	9.29
Total Operating Expenses	37.52	35.06	35.12	33.46
Operating Profit or Loss	2.59	2.77	2.26	.89
Other Income	.96	2.22	1.35	1.54
Net Operating Profit or Loss (Before Income Taxes)	3.55	4.99	3.61	2.43

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Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Total Dollar Assets	$198,997	$253,200	$430,496	$809,515
		% of Total Assets		
Assets				
Cash On Hand and In Bank	9.21	8.62	5.95	5.03
Notes and Installment Contracts Receivable	.43	1.30	2.36	1.48
Accounts Receivable	12.60	9.86	9.44	8.97
Merchandise Inventory - (End of Year)	50.06	52.81	50.10	51.19
Other Current Assets	2.29	.84	1.25	1.40
Total Current Assets	74.58	73.43	69.10	68.07
Stocks and Bonds	5.62	3.71	5.50	4.73
Real Estate (Not Used In Business)	1.52	.72	.54	.33
Other Investments	6.97	6.85	9.10	8.94
Total Investments	14.12	11.28	15.13	14.01
Land (Owned and Used In Business)	1.06	1.36	2.34	2.37
Buildings (Owned and Used In Bus. Less Depreciation)	3.72	4.68	5.42	7.77
Leasehold Improvements (Less Amortization Allowance)	.41	1.25	1.76	1.13
Furn., Fix., Equip. (Owned and Used in Bus. Less Depre.)	3.13	4.86	4.33	4.83
Delivery Equip. (Owned and Used in Bus. Less Deprec.)	1.96	1.72	1.45	1.06
Other Fixed Assets	1.01	1.42	.46	.77
Total Fixed Assets	11.30	15.28	15.76	17.92
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities and Net Worth				
Accounts Payable	7.41	12.04	10.59	11.19
Current Portion of Notes Payable	7.99	6.14	5.71	7.19
Accrued Payroll Taxes	.95	.56	.58	.28
Accrued Other Taxes	.05	.94	.94	.91
Other Accrued Expenses	.73	.76	.96	1.60
Other Current Liabilities	.53	.78	1.54	1.63
Total Current Liabilities	17.66	21.22	20.32	22.80
Notes Due Partners/Officers	9.54	5.34	5.08	7.21
Mortgage Payable	5.17	3.48	4.63	3.51
Long Term Debt	3.82	17.21	16.56	15.25
Other Long Term Liabilities	.23	3.84	1.17	.62
Total Long Term Liabilities	18.76	29.88	27.44	26.59
Total Liabilities	36.42	51.09	47.76	49.38
Net Worth	63.58	48.91	52.24	50.62
Total Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	10.73%	21.52%	14.52%	10.31%
Active Owner's Return	31.60%	42.00%	32.44%	24.53%
Current Asset Ratio	4.22	3.46	3.40	2.99
Quick Asset Ratio	1.39	.97	.94	.74
Total Debt to Tangible Net Worth	57.27%	104.48%	91.42%	97.56%
Stock Turn Times	2.37	2.54	2.73	2.81
Sales to Inventory Ratio	3.88	4.03	4.27	4.23
Average Inventory per Sq. Ft. Sales Area	$43.37	$34.19	$30.51	$27.65
Net Sales to Accounts Receivable	15.27	21.40	22.29	23.98
Net Sales to Total Assets	1.92	2.11	2.10	2.15
Net Sales to Net Worth	3.02	4.31	4.03	4.25
Net Sales to Net Working Capital	3.38	4.04	4.31	4.75
Other Operating Data				
Credit Sales - % of Total Gross Sales	32.39%	38.35%	29.51%	35.09%
Consumer Sales - % of Total Gross Sales	67.61%	61.65%	70.49%	64.91%
Selling Area - Square Feet	2,272	3,878	6,945	14,897
Sales Per Square Foot - Selling Area	$168.46	$137.78	$130.42	$116.83
Total Area - Square Feet	5,045	6,057	10,115	20,500
Sales Per Square Foot - Total Area	$77.54	$88.60	$89.97	$85.42
Sales Per Person Employed	$76,122	$91,623	$59,844	$96,179
Sales Per Customer	$10.22	$10.69	$11.84	$12.41

Figures may not add to totals indicated due to rounding.

Type of Ownership

Income Statement Data	Sole Proprietorship	Partnership	Corporation	Sub "S" Corporation
Number of Stores	78	23	300	99
Net Sales Volume	$507,469	$749,319	$1,079,584	$1,104,738
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	4.68%	6.90%	2.67%	.42%
Gross Sales	101.69%	100.38%	101.33%	101.18%
Less: Total Deductions	1.69	.38	1.33	1.18
Net sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.81	64.56	65.25	63.72
Margin Before Purchase Rebate or Patronage Dividend	35.19	35.44	34.75	36.28
Purchase Rebate or Patronage Dividend	.90	.83	.95	1.13
Margin After Purchase Rebate or Patronage Dividend	36.09	36.27	35.70	37.41
Payroll and Other Employee Expense				
Salaries - Owners/Officers/Managers	2.04	2.43	4.34	3.82
Salaries/Wages - Other Employees	10.81	11.65	12.44	13.62
Federal and State Payroll Taxes	1.16	1.01	1.40	1.48
Group Insurance	.53	.59	1.00	.98
Benefit Plans	.03	.52	.37	.33
Total Payroll and Other Employee Expense	14.57	16.21	19.56	20.23
Occupancy Expense				
Heat, Light, Power, Water	1.19	.92	.90	1.15
Building Repairs and Maintenance	.41	.49	.37	.41
Rent or Ownership in Real Estate**	4.35	3.49	3.99	4.88
Total Occupancy Expense	5.96	4.89	5.26	6.44
Other Costs of Doing Business				
Advertising and Promotion	2.44	2.07	2.29	2.47
Insurance (Other than Real Estate and Group)	.77	.89	.74	.76
Taxes (Other than Real Estate and Payroll)	.30	1.19	.41	.44
Interest (Other than Real Estate)	1.62	1.87	1.21	1.25
Depreciation (Other than Real Estate)	1.07	.76	.73	.94
All Other Expenses	3.68	4.04	4.15	3.90
Total Other Costs of Doing Business	9.87	10.81	9.54	9.76
Total Operating Expenses	30.40	31.92	34.36	36.43
Operating Profit or Loss	5.69	4.35	1.34	.97
Other Income	.82	.99	1.68	1.55
Net Operating Profit or Loss (Before Income Taxes)	6.51	5.35	3.02	2.53
Financial Performance				
Profit on Investment	23.84%	18.65%	11.93%	12.50%
Active Owner's Return	31.31%	27.14%	29.10%	31.41%
Current Asset Ratio	4.30	4.11	3.23	2.89
Quick Asset Ratio	.90	.90	.87	.76
Total Debt to Tangible Net Worth	99.28%	81.37%	83.79%	126.64%
Stock Turn Times	2.46	2.27	2.71	2.86
Sales to Inventory Ratio	3.79	3.52	4.15	4.48
Average Inventory per Sq. Ft. Sales Area	$24.17	$31.00	$31.46	$28.66
Net Sales to Accounts Receivable	30.89	22.87	21.39	24.23
Net Sales to Total Assets	1.84	1.92	2.15	2.18
Net Sales to Net Worth	3.66	3.49	3.95	4.94
Net Sales to Net Working Capital	3.78	3.59	4.36	4.99
Other Operating Data				
Credit Sales - % of Total Gross Sales	34.00%	32.11%	34.63%	26.67%
Consumer Sales - % of Total Gross Sales	66.00%	67.89%	65.37%	73.33%
Selling Area - Square Feet	5,493	5,830	8,235	8,263
Sales Per Square Foot - Selling Area	$92.48	$108.22	$131.72	$130.58
Total Area - Square Feet	7,877	8,142	11,767	11,669
Sales Per Square Foot - Total Area	$64.74	$77.49	$93.02	$85.40
Sales Per Person Employed	$72,567	$90,199	$70,830	$95,040
Sales Per Customer	$9.51	$11.61	$12.03	$12.08

* As reported to NRHA by Management Report contributors.

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Trade Area Size

Income Statement Data	M.S.A.† Central City	M.S.A.† Suburban	Cities 10,000 To 50,000	Towns Under 10,000
Number of Stores	59	40	144	268
Net Sales Volume	$1,102,960	$1,055,820	$1,111,836	$859,541
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	1.50%	1.30%	-.10%	4.85%
Gross Sales	101.53%	101.65%	101.06%	101.32%
Less: Total Deductions	1.53	1.65	1.06	1.32
Net sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	60.32	61.13	65.45	66.56
Margin Before Purchase Rebate or Patronage Dividend	39.68	38.87	34.55	33.44
Purchase Rebate or Patronage Dividend	.75	1.21	1.07	.94
Margin After Purchase Rebate or Patronage Dividend	40.43	40.08	35.61	34.38
Payroll and Other Employee Expense				
Salaries - Owners/Officers/Managers	5.60	5.26	3.06	3.92
Salaries/Wages - Other Employees	14.71	12.99	12.73	11.68
Federal and State Payroll Taxes	1.71	1.46	1.19	1.42
Group Insurance	1.03	1.15	1.15	.74
Benefit Plans	.70	.52	.20	.30
Total Payroll and Other Employee Expense	23.73	21.37	18.32	18.06
Occupancy Expense				
Heat, Light, Power, Water	.83	1.10	1.09	.94
Building Repairs and Maintenance	.47	.43	.37	.37
Rent or Ownership in Real Estate**	4.74	4.99	4.21	3.87
Total Occupancy Expense	6.04	6.52	5.67	5.17
Other Costs of Doing Business				
Advertising and Promotion	1.94	2.57	2.39	2.35
Insurance (Other than Real Estate and Group)	.82	.82	.71	.76
Taxes (Other than Real Estate and Payroll)	.37	.49	.46	.42
Interest (Other than Real Estate)	1.17	.98	1.43	1.25
Depreciation (Other than Real Estate)	.65	.67	.92	.79
All Other Expenses	3.91	4.64	4.54	3.67
Total Other Costs of Doing Business	8.86	10.18	10.45	9.25
Total Operating Expenses	38.63	38.08	34.44	32.48
Operating Profit or Loss	1.80	2.00	1.17	1.90
Other Income	1.97	.91	1.41	1.68
Net Operating Profit or Loss (Before Income Taxes)	3.77	2.91	2.58	3.59
Financial Performance				
Profit on Investment	16.19%	10.67%	10.68%	14.50%
Active Owner's Return	40.24%	29.95%	23.33%	30.34%
Current Asset Ratio	3.27	3.20	2.77	3.64
Quick Asset Ratio	.93	.73	.66	1.01
Total Debt to Tangible Net Worth	82.12%	90.84%	101.56%	89.30%
Stock Turn Times	2.84	2.43	2.69	2.73
Sales to Inventory Ratio	4.71	3.98	4.12	4.10
Average Inventory per Sq. Ft. Sales Area	$29.06	$29.61	$29.39	$30.68
Net Sales to Accounts Receivable	20.41	20.91	23.20	23.26
Net Sales to Total Assets	2.36	1.92	2.05	2.14
Net Sales to Net Worth	4.30	3.67	4.14	4.04
Net Sales to Net Working Capital	4.80	4.41	4.90	4.02
Other Operating Data				
Credit Sales - % of Total Gross Sales	25.95%	38.12%	32.82%	33.69%
Consumer Sales - % of Total Gross Sales	74.05%	61.88%	67.18%	66.31%
Selling Area - Square Feet	8,127	9,109	8,997	6,681
Sales Per Square Foot - Selling Area	$135.18	$118.50	$122.98	$127.53
Total Area - Square Feet	11,109	12,777	12,521	9,849
Sales Per Square Foot - Total Area	$99.34	$84.48	$84.64	$87.29
Sales Per Person Employed	$35,924	$88,241	$86,425	$96,358
Sales Per Customer	$11.14	$10.75	$10.69	$13.10

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† Metropolitan Statistical Area.
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Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	180	218	66
Net Sales Volume	$904,257	$1,017,270	$859,626
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	3.13%	3.13%	2.19%
Gross Sales	101.14%	101.48%	101.28%
Less: Total Deductions	1.14	1.48	1.28
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.16	62.91	66.52
Margin Before Purchase Rebate or Patronage Dividend	34.84	37.09	33.48
Purchase Rebate or Patronage Dividend	.86	1.16	.93
Margin After Purchase Rebate or Patronage Dividend	35.69	38.24	34.41
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	4.05	4.25	3.89
Salaries/Wages - Other Employees	12.63	13.09	11.43
Federal and State Payroll Taxes	1.40	1.48	1.32
Group Insurance	.88	.98	.63
Benefit Plans	.35	.38	.25
Total Payroll and Other Employee Expense	19.31	20.17	17.52
Occupancy Expense			
Heat, Light, Power, Water	.94	1.08	.88
Building Repairs and Maintenance	.38	.39	.41
Rent or Ownership in Real Estate**	3.62	4.88	4.25
Total Occupancy Expense	4.94	6.35	5.54
Other Costs of Doing Business			
Advertising and Promotion	2.33	2.52	2.29
Insurance (Other than Real Estate and Group)	.85	.73	.72
Taxes (Other than Real Estate and Payroll)	.42	.44	.56
Interest (Other than Real Estate)	1.27	1.28	1.65
Depreciation (Other than Real Estate)	.72	.87	.86
All Other Expenses	3.93	4.06	3.58
Total Other Costs of Doing Business	9.52	9.90	9.66
Total Operating Expenses	33.77	36.41	32.72
Operating Profit or Loss	1.92	1.83	1.69
Other Income	1.72	1.59	1.14
Net Operating Profit or Loss (Before Income Taxes)	3.65	3.42	2.83
Financial Performance			
Profit on Investment	14.98%	13.88%	13.59%
Active Owner's Return	31.61%	31.10%	32.26%
Current Asset Ratio	3.45	3.20	3.06
Quick Asset Ratio	.99	.78	.68
Total Debt to Tangible Net Worth	91.08%	94.36%	128.67%
Stock Turn Times	2.77	2.56	2.65
Sales to Inventory Ratio	4.25	4.08	3.99
Average Inventory per Sq. Ft. Sales Area	$31.57	$28.41	$29.83
Net Sales to Accounts Receivable	19.57	26.10	24.55
Net Sales to Total Assets	2.15	2.09	2.10
Net Sales to Net Worth	4.11	4.06	4.80
Net Sales to Net Working Capital	4.19	4.45	4.48
Other Operating Data			
Credit Sales - % of Total Gross Sales	40.41%	31.76%	31.08%
Consumer Sales - % of Total Gross Sales	59.59%	68.24%	68.92%
Selling Area - Square Feet	6,725	8,518	6,877
Sales Per Square Foot - Selling Area	$136.61	$116.73	$119.25
Total Area - Square Feet	10,170	11,459	10,247
Sales Per Square Foot - Total Area	$89.87	$84.42	$81.26
Sales Per Person Employed	$56,743	$87,258	$98,597
Sales Per Customer	$12.85	$10.75	$14.43

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Store Location: Part II

Income Statement Data	Neighborhood Shopping Center	Community or Regional	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Stores	109	43	80	244
Net Sales Volume	$875,736	$1,322,580	$940,175	$982,430
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	.76%	.72%	3.18%	3.67%
Gross Sales	101.66%	101.40%	100.96%	101.29%
Less: Total Deductions	1.66	1.40	.96	1.29
Net sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.15	65.47	64.90	65.49
Margin Before Purchase Rebate or Patronage Dividend	36.85	34.53	35.10	34.51
Purchase Rebate or Patronage Dividend	1.25	1.09	.86	.88
Margin After Purchase Rebate or Patronage Dividend	38.10	35.62	35.96	35.38
Payroll and Other Employee Expense				
Salaries - Owners/Officers/Managers	4.52	3.05	4.44	3.71
Salaries/Wages - Other Employees	12.82	13.43	12.47	12.24
Federal and State Payroll Taxes	1.50	1.49	1.41	1.29
Group Insurance	1.09	.76	.77	1.01
Benefit Plans	.21	.38	.69	.29
Total Payroll and Other Employee Expense	20.14	19.11	19.78	18.54
Occupancy Expense				
Heat, Light, Power, Water	1.13	1.01	.84	.95
Building Repairs and Maintenance	.34	.33	.40	.41
Rent or Ownership in Real Estate**	5.32	4.58	4.06	3.60
Total Occupancy Expense	6.80	5.92	5.30	4.96
Other Costs of Doing Business				
Advertising and Promotion	2.74	2.64	2.04	2.19
Insurance (Other than Real Estate and Group)	.69	.52	.97	.75
Taxes (Other than Real Estate and Payroll)	.44	.23	.44	.49
Interest (Other than Real Estate)	1.19	1.18	1.34	1.34
Depreciation (Other than Real Estate)	.93	.76	.75	.79
All Other Expenses	3.96	3.34	3.92	4.34
Total Other Costs of Doing Business	9.95	8.67	9.46	9.90
Total Operating Expenses	36.89	33.70	34.54	33.40
Operating Profit or Loss	1.21	1.92	1.42	1.99
Other Income	1.19	1.52	1.25	1.79
Net Operating Profit or Loss (Before Income Taxes)	2.40	3.44	2.67	3.78
Financial Performance				
Profit on Investment	11.22%	16.39%	11.35%	14.18%
Active Owner's Return	32.32%	30.94%	30.23%	28.08%
Current Asset Ratio	2.93	3.34	3.18	3.51
Quick Asset Ratio	.65	.77	.93	.97
Total Debt to Tangible Net Worth	100.86%	103.78%	97.29%	87.62%
Stock Turn Times	2.56	2.91	2.78	2.71
Sales to Inventory Ratio	4.05	4.45	4.28	4.14
Average Inventory per Sq. Ft. Sales Area	$28.59	$29.36	$29.61	$31.58
Net Sales to Accounts Receivable	31.41	27.73	18.45	20.68
Net Sales to Total Assets	2.33	2.34	2.15	2.00
Net Sales to Net Worth	4.67	4.77	4.25	3.75
Net Sales to Net Working Capital	4.79	4.78	4.35	4.14
Other Operating Data				
Credit Sales - % of Total Gross Sales	27.93%	28.65%	30.83%	36.23%
Consumer Sales - % of Total Gross Sales	72.07%	71.35%	69.17%	63.77%
Selling Area - Square Feet	7,610	9,884	7,131	7,340
Sales Per Square Foot - Selling Area	$116.02	$132.26	$127.93	$133.34
Total Area - Square Feet	9,264	13,776	10,899	10,994
Sales Per Square Foot - Total Area	$87.07	$94.26	$85.45	$89.02
Sales Per Person Employed	$83,275	$93,008	$100,735	$65,487
Sales Per Customer	$10.87	$11.26	$12.82	$12.39

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Geographical Regions

1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

* As reported to NRHA by Management Report contributors for the New England region only.

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Income Statement Data	1 New England
Number of Stores	46
Net Sales Volume	$809,884
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	-3.12%
Gross Sales	101.35%
Less: Total Deductions	1.35
Net Sales	100.00%
Cost of Goods Sold	61.23
Margin Before Purchase Rebate orPatronage Dividend	38.77
Purchase Rebate or Patronage Dividend	.62
Margin After Purchase Rebate or Patronage Dividend	39.39
Payroll and Other Employee Expense	
Salaries -- Owners/Officers/Managers	5.22
Salaries/Wages -- Other Employees	12.26
Federal and State Payroll Taxes	1.81
Group Insurance	1.18
Benefit Plans	.17
Total Payroll and Other Employee Expense	20.65
Occupancy Expense	
Heat, Light, Power, Water	.98
Building Repairs and Maintenance	.38
Rent or Ownership in Real Estate**	5.73
Total Occupancy Expense	7.09
Other Costs of Doing Business	
Advertising and Promotion	2.42
Insurance (Other than Real Estate and Group)	1.05
Taxes (Other than Real Estate and Payroll)	.35
Interest (Other than Real Estate)	1.03
Depreciation (Other than Real Estate)	1.04
All Other Expenses	4.30
Total Other Costs of Doing Business	10.20
Total Operating Expense	37.94
Operating Profit or Loss	1.45
Other Income	1.02
Net Operating Profit or Loss (Before Income Taxes)	2.47
Financial Performance	
Profit on Investment	10.64%
Active Owner's Return	33.12%
Current Asset Ratio	3.14x
Quick Asset Ratio	.85x
Total Debt to Tangible Net Worth	96.25%
Stock Turn Times	2.68x
Sales to Inventory Ratio	4.38x
Average Inventory per Sq. Ft. Sales Area	$32.27
Net Sales to Accounts Receivable	20.91x
Net Sales to Total Assets	2.19x
Net Sales to Net Worth	4.30x
Net Sales to Net Working Capital	4.65x
Other Operating Data	
Credit Sales -- % of Total Gross Sales	30.13%
Consumer Sales -- % of Total Gross Sales	69.87%
Selling Area -- Square Feet	5,270
Sales Per Square Foot -- Selling Area	$152.19
Total Area -- Square Feet	8,535
Sales Per Square Foot -- Total Area	$93.97
Sales Per Person Employed	$97,479
Sales Per Customer	$10.64

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
45	80	226	23	57	28	36	76
$1,126,914	$1,263,664	$921,325	$695,766	$614,320	$761,212	$1,020,945	$985,934
5.27%	-1.49%	.10%	4.90%	2.47%	9.40%	6.87%	7.23%
100.72%	101.35%	101.37%	102.37%	101.40%	100.74%	100.77%	101.06%
.72	1.35	1.37	2.37	1.40	.74	.77	1.06
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
66.06	66.90	65.81	69.31	61.57	64.36	65.86	63.28
33.94	33.10	34.19	30.69	38.43	35.64	34.14	36.72
.49	.85	1.65	1.12	.57	.83	.89	.76
34.43	33.95	35.83	31.81	39.00	36.47	35.03	37.48
4.11	2.99	3.78	3.45	4.50	3.94	3.89	4.42
12.07	13.11	12.60	11.81	13.21	12.66	11.56	12.47
1.26	1.14	1.40	1.33	1.36	1.09	1.45	1.52
.67	1.26	.91	.69	.87	.72	1.19	.80
.67	.20	.14	.07	.42	.25	.24	.74
18.78	18.69	18.83	17.35	20.35	18.66	18.34	19.95
.81	1.00	1.11	1.04	1.16	1.18	.89	.72
.51	.41	.30	.34	.40	.59	.29	.26
3.24	3.86	4.25	3.25	3.68	4.36	3.50	4.62
4.55	5.28	5.65	4.63	5.24	6.13	4.68	5.61
2.25	1.80	2.89	2.17	2.71	2.06	2.13	2.04
.96	.76	.70	.77	.87	.82	.54	.71
.45	.51	.23	.30	.56	.86	.23	.46
1.44	1.01	1.59	1.73	1.46	.98	1.56	1.27
.91	.71	.98	.93	.64	.61	.76	.75
3.17	4.77	3.64	3.53	4.32	3.90	4.26	3.93
9.19	9.56	10.02	9.43	10.56	9.24	9.49	9.16
32.53	33.53	34.50	31.42	36.15	34.03	32.50	34.72
1.90	.42	1.33	.39	2.85	2.44	2.53	2.76
1.03	1.81	1.54	1.69	2.73	1.62	1.13	.94
2.93	2.23	2.87	2.08	5.57	4.06	3.66	3.70
14.63%	7.95%	10.83%	9.69%	17.72%	13.83%	18.00%	17.94%
35.13%	18.63%	25.10%	25.77%	32.00%	27.25%	37.14%	39.37%
2.97	3.17	3.52	3.53	3.20	4.36	3.13	3.74
.74	.89	.84	1.14	.72	1.33	1.01	.98
118.12%	79.08%	96.89%	122.13%	89.39%	65.86%	126.72%	87.07%
2.96	2.75	2.35	2.85	2.11	2.59	2.94	3.13
4.49	4.11	3.57	4.11	3.43	4.03	4.46	4.94
$34.45	$35.08	$28.73	$27.02	$23.23	$24.68	$28.73	$31.02
26.09	19.12	22.96	14.38	23.65	19.93	23.35	24.18
2.29	1.99	1.92	2.10	1.68	2.05	2.17	2.59
4.99	3.57	3.78	4.66	3.18	3.40	4.92	4.85
4.95	4.34	3.74	3.89	3.84	3.60	4.33	4.83
34.71%	29.76%	30.95%	44.02%	30.95%	51.70%	42.97%	29.33%
65.29%	70.24%	69.05%	55.98%	69.05%	48.30%	57.03%	70.67%
6,868	8,798	9,008	6,257	8,144	7,656	7,979	6,432
$156.48	$144.68	$108.20	$111.19	$80.97	$99.43	$129.94	$153.29
11,716	12,138	12,413	10,094	10,419	10,776	11,610	8,704
$98.90	$99.93	$78.01	$65.53	$64.83	$70.64	$89.30	$113.86
$110,510	$94,257	$83,547	$91,511	$81,317	$65,934	$99,594	$38,733
$14.50	$12.22	$10.33	$15.88	$11.10	$8.89	$13.54	$12.22

Number of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	567	79
Net Sales Volume	$901,634	$1,175,959
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	3.55%	-2.69%
Gross Sales	101.25%	101.21%
Less: Total Deductions	1.25	1.21
Net sales	100.00%	100.00%
Cost of Goods Sold	64.64	68.35
Margin Before Purchase Rebate or Patronage Dividend	35.36	31.65
Purchase Rebate or Patronage Dividend	1.11	1.08
Margin After Purchase Rebate or Patronage Dividend	36.47	32.73
Payroll and Other Employee Expense		
Salaries - Owners/Officers/Managers	4.15	2.70
Salaries/Wages - Other Employees	12.55	12.41
Federal and State Payroll Taxes	1.41	1.14
Group Insurance	.88	1.38
Benefit Plans	.32	.18
Total Payroll and Other Employee Expense	19.31	17.81
Occupancy Expense		
Heat, Light, Power, Water	1.01	.97
Building Repairs and Maintenance	.36	.33
Rent or Ownership in Real Estate**	4.16	3.87
Total Occupancy Expense	5.53	5.18
Other Costs of Doing Business		
Advertising and Promotion	2.45	2.14
Insurance (Other than Real Estate and Group)	.79	.64
Taxes (Other than Real Estate and Payroll)	.38	.48
Interest (Other than Real Estate)	1.40	1.16
Depreciation (Other than Real Estate)	.87	.72
All Other Expenses	3.87	4.41
Total Other Costs of Doing Business	9.75	9.55
Total Operating Expenses	34.59	32.53
Operating Profit or Loss	1.88	.20
Other Income	1.63	.98
Net Operating Profit or Loss (Before Income Taxes)	3.51	1.18
Financial Performance		
Profit on Investment	13.65%	5.01%
Active Owner's Return	29.77%	16.49%
Current Asset Ratio	3.52	2.84
Quick Asset Ratio	.94	.62
Total Debt to Tangible Net Worth	92.64%	93.63%
Stock Turn Times	2.56	2.78
Sales to Inventory Ratio	3.96	4.07
Average Inventory per Sq. Ft. Sales Area	$29.33	$33.42
Net Sales to Accounts Receivable	21.88	22.94
Net Sales to Total Assets	2.02	2.20
Net Sales to Net Worth	3.89	4.26
Net Sales to Net Working Capital	3.98	4.95
Other Operating Data		
Credit Sales - % of Total Gross Sales	32.96%	28.95%
Consumer Sales - % of Total Gross Sales	67.04%	71.05%
Selling Area - Square Feet	7,419	9,685
Sales Per Square Foot - Selling Area	$123.94	$137.62
Total Area - Square Fee	10,683	13,185
Sales Per Square Foot - Total Area	$86.36	$95.99
Sales Per Person Employed	$73,464	$90,875
Sales Per Customer	$11.63	$12.42

* As reported to NRHA by Management Report contributors.
** Ownership in Real Estate includes Taxes, Insurance, Depreciation for Mortgages on Land and Buildings.
Figures may not add to toatls indicated due to rounding.

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Age of Operation

Income Statement Data	Less Than 3 Years Old	More Than 3 Years Old
Number of Stores	16	467
Net Sales Volume	$925,857	$991,679
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	2.79%	2.51%
Gross Sales	100.78%	101.34%
Less: Total Deductions	.78	1.34
Net sales	100.00%	100.00%
Cost of Goods Sold	68.99	64.84
Margin Before Purchase Rebate or Patronage Dividend	31.01	35.16
Purchase Rebate or Patronage Dividend	.79	1.00
Margin After Purchase Rebate or Patronage Dividend	31.80	36.16
Payroll and Other Employee Expense		
Salaries - Owners/Officers/Managers	1.97	4.03
Salaries/Wages - Other Employees	11.79	12.51
Federal and State Payroll Taxes	1.45	1.38
Group Insurance	.55	.96
Benefit Plans	.24	.33
Total Payroll and Other Employee Expense	15.99	19.21
Occupancy Expense		
Heat, Light, Power, Water	1.16	.98
Building Repairs and Maintenance	.33	.39
Rent or Ownership in Real Estate**	4.92	4.14
Total Occupancy Expense	6.41	5.51
Other Costs of Doing Business		
Advertising and Promotion	2.97	2.30
Insurance (Other than Real Estate and Group)	.33	.77
Taxes (Other than Real Estate and Payroll)	.28	.45
Interest (Other than Real Estate)	.70	1.27
Depreciation (Other than Real Estate)	1.12	.79
All Other Expenses	3.72	4.03
Total Other Costs of Doing Business	9.12	9.60
Total Operating Expenses	31.53	34.33
Operating Profit or Loss	.28	1.83
Other Income	2.47	1.50
Net Operating Profit or Loss (Before Income Taxes)	2.75	3.33
Financial Performance		
Profit on Investment	13.79%	13.35%
Active Owner's Return	23.68%	29.53%
Current Asset Ratio	3.21	3.30
Quick Asset Ratio	.37	.88
Total Debt to Tangible Net Worth	109.23%	89.96%
Stock Turn Times	2.68	2.72
Sales to Inventory Ratio	3.88	4.20
Average Inventory per Sq. Ft. Sales Area	$25.17	$30.14
Net Sales to Accounts Receivable	39.32	22.36
Net Sales to Total Assets	2.40	2.11
Net Sales to Net Worth	5.02	4.01
Net Sales to Net Working Capital	4.78	4.37
Other Operating Data		
Credit Sales - % of Total Gross Sales	23.51%	33.56%
Consumer Sales - % of Total Gross Sales	76.49%	66.44%
Selling Area - Square Feet	4,955	7,754
Sales Per Square Foot - Selling Area	$104.55	$127.29
Total Area - Square Feet	7,625	11,054
Sales Per Square Foot - Total Area	$71.14	$88.23
Sales Per Person Employed	$82,758	$75,781
Sales Per Customer	$10.13	$11.85

* As reported to NRHA by Management Reoprt contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Departmental Sales

The Departmental Sales section of the Management Report offers a variety of information for fourteen departments carried in retail hardware outlets.

Departmental Contribution
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden department in The Management Report shows 90.0% of the reporting stores have a Lawn and Garden department. The data shown for the Lawn and Garden department are only for the 90% of stores who carry lawn and garden merchandise. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other hardware stores which also carry that department.

The Management Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the report -- only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a hardlines retailer carries only four departments -- Hardware, Hand Tools, Paint and Home Decorating and Automotive Supplies. Assume The Management Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Automotive Supplies	5.0%

The total of these percents equals 50.0. Now divide the total (50.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{50.0}$	= 30.0%
Hand Tools	$\frac{10.0}{50.0}$	= 20.0%
Paint & Home Decorating	$\frac{20.0}{50.0}$	= 40.0%
Automotive Supplies	$\frac{5.0}{50.0}$	= 10.0%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) Lawn and Garden's GMROI, for example is 1.54 which means $1.54 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

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Departmental Contribution

Department	% Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	% of Net Sales	% of Sales Floor	% of Inventory
	Handling Firms Only					Average Store Profile		
Hardware	100.0	14.9	14.6	14.1	123.94	14.8	14.6	14.1
Hand Tools	100.0	6.0	6.3	6.5	119.47	5.8	6.3	6.3
Power Tools & Accessories	100.0	4.4	4.1	4.8	115.97	4.0	3.9	4.6
Plumbing, Heating & Cooling	100.0	13.5	12.1	12.7	136.23	13.2	12.0	12.6
Electrical Supplies	100.0	9.8	8.7	9.2	138.50	9.7	8.7	9.1
Paint & Home Decorating	97.9	13.7	12.5	12.6	140.98	13.4	12.5	12.6
Lumber	17.8	3.3	3.4	3.8	71.49	.7	.9	.9
Building Materials	36.6	4.1	3.1	3.3	109.24	1.7	1.4	1.4
Lawn & Garden	94.7	12.5	13.2	12.3	131.51	11.7	12.9	12.2
Housewares	88.6	8.0	11.6	8.4	87.80	7.2	10.5	7.7
Automotive Supplies	85.7	3.7	4.4	3.7	107.89	3.2	4.0	3.3
Major Appliances & Home Entertainment	33.4	8.9	5.9	10.6	149.39	3.2	1.9	4.3
Sporting Goods & Outdoor Living	66.6	5.0	5.6	6.0	108.69	3.5	3.8	4.1
Miscellaneous Goods	81.4	9.2	7.6	7.9	122.95	7.9	6.6	6.8
					Total	100.0%	100.0%	100.0%

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	45.0	4.1	1.85
Hand Tools	38.4	3.7	1.42
Power Tools & Accessories	30.1	3.5	1.05
Plumbing, Heating & Cooling	43.8	4.7	2.06
Electrical Supplies	41.4	4.7	1.95
Paint & Home Decorating	39.0	4.5	1.76
Lumber	32.7	3.8	1.24
Building Materials	38.8	5.2	2.02
Lawn & Garden	35.1	4.1	1.44
Housewares	32.9	3.8	1.25
Automotive Supplies	35.3	4.2	1.48
Major Appliances & Home Entertainment	24.8	3.7	.92
Sporting Goods & Outdoor Living	32.8	3.8	1.25
Miscellaneous Goods	34.3	4.2	1.44

Definition of Terms

Income Statement Data -- The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Management Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume -- The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions -- Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold -- Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend -- The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend -- Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the retailer.

Salaries -- Owners/Officers/Managers -- The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages -- Other Employees -- The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes -- Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance -- All premiums paid to insured employees for health and accident protection.

Benefit Plans -- The employers' share of cost for employee welfare/benefit plans -- life insurance, retirement, education, etc.

Heat, Light, Power and Water -- All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance -- All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) -- All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage -- The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate -- Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion -- Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations -- All gifts given from the business operation to charity.

Telephone and Telegraph -- For expenses incurred in the operation of the business.

Bad Debts -- Uncollectable debts.

Delivery Expenses (Other than Wages) -- All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance -- Premiums paid to insure all assets against fire, theft, etc.

Taxes -- All taxes on stock, fixtures, delivery equipment, etc.

Depreciation -- All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense -- Bank charges for processing credit card sales.

Interest -- The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies -- The costs of all supplies used in the operation of the store.

Legal and Accounting -- The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services -- Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions -- Fees for memberships and subscriptions, and expenses for employee training.

Travel and Entertainment -- All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services -- All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified -- All expenses not classified under other headings.

Net Operating Profit -- Return on sales before other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income -- Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) -- The net return from the operation of the business.

Balance Sheet -- The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets -- Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year -- all prepaid expenses.

Investments -- Assets with a long term life such as stocks and bonds or real estate which is not needed to operate a business.

Fixed Assets -- Assets with a long-term life which are needed to carry out a firm's normal business activities. The Management Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities -- All debts which are due within one year -- accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities -- All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth -- Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

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Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements -- the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times."
- Measures the ability to pay short term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times."
- Measure the ability to pay Current Debts form Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times."
- Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- Computed by dividing Net Sales by Average Inventory; expressed in "times."
- Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Square Foot of Sales Area
- Computed by dividing Average Inventory by Square feet of Sales Area; expressed in dollar value of inventory at cost.
- A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- Computed by dividing Net Sales by Accounts Receivable; expressed in "times."
- Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- Computed by dividing Net Sales by Total Assets; expressed in "times."
- Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- Computed by dividing Net Sales by Tangible Net Worth; expressed in "times."
- Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times."
- Measures the demand on working capital to support the sales volume.

Sales Per Square Foot -- Selling Area
- Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- Measures sales productivity.

Sales Per Square Foot - Total Area
- Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory -- (GMROI)
- Computed by taking gross margin percentage times sales to inventory ratio.
- Considers both margin and turnover.
- Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested inventory.

Notes

National Retail Hardware Association
5822 West 74th Street
Indianapolis, Indiana 46278
(317) 290-0338

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Affiliated Associations

California Pacific Southwest Hardware Association: Bob Burk, 1515 30th Street, Suite 200, Sacramento, CA 95816 *(916) 455-3033*

Canadian Retail Hardware Association: Thomas M. Ross, 6800 Campobello Road, Mississauga, Ont. L5N-2L8 *(416) 821-3470; (800) 268-3965 (Canada only)*

Eastern Retail Hardware Association: Leonard J. Palmisano, 109 E. Grove St., P. O. Box 1329, Middleboro, MA 02346 *(508) 946-0422*

Hardware Association of the Carolinas and Virginias: Paul R. Geisleichter, 412 Louise Ave., Charlotte, NC 28204; *(704) 332-3141; (800) 347-4557 (NC , SC, VA, W. VA)*

Illinois Retail Hardware Association: Jay Boor, 300 W. Edwards 201, Springfield, IL 62704 *(217) 528-9400; (800) 322-4742 (Illinois only)*

Indiana-Kentucky Hardware Association: Richard L. Russell, 8383 Craig St., Suite 150, Indianapolis, IN 46250 *(317) 576-6300*

Iowa Retail Hardware Association: James E. Cory, 520 35th St., Des Moines, IA 50312 *(515) 274-0401; (800) 652-9606 (Iowa only)*

Michigan Retail Hardware Association: Thomas A. Aitken, 4414 S. Pennsylvania Avenue, P. O. Box 30085, Lansing, MI 48909 *(517) 394-1710*

Minnesota-Dakotas Retail Hardware Association: Mac Hardin, 1011 1st St. S. Suite 490, Hopkins, MN 55343 *(612) 933-2026, (800) 999-4399*

Mountain States Hardware and Implement Association: John R. Zapor, 1380 Carr St., Lakewood, CO 80215 *(303) 233-2101*

New York State Retail Hardware Association: Larry Bowser, 6500 Joy Road, East Syracuse, NY 13057 *(315) 437-7318*

Ohio Hardware Association: Dean Sisson, 1540 W. Fifth Avenue (43212) P. O. Box 1828, Columbus, OH 43216 *(614) 486-5278; (800) 282-1642 (Ohio only)*

Pacific Northwest Hardware and Implement Association: Ronald F. Moore, 333 SW Fifth Ave., Room 606, Portland, OR 97204 *(503) 226-1641*

Southern Association: Beulah Ralph, 1822 DeBarry Ave., Orange Park, FL 32073 *(904) 264-7525*

Southwest Association: Allen E. Murfin, 4629 Mark IV Parkway, Ft. Worth, TX 76106 *(817) 625-5562; (800) 346-9430*

Western Retail Implement and Hardware Association: Jeff Flora, 638 W. 39th St., (64111); P. O. Box 19264, Kansas City, MO 64141 *(816) 561-5323*

Wisconsin Retail Hardware Association David K. Storey, 1421 Strongs Avenue, Stevens Point, WI 54481 *(715) 341-7100 (800) 888-1817 (Wis. only)*

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91 BOTTOM-LINE REPORT

DETAILED COST-OF-DOING BUSINESS DATA FOR HOME CENTERS

Price:

$25.00 Member
$50.00 Non-Member

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Introduction

The **National Retail Hardware Association** and **Home Center Institute** annually publishes detailed financial operating reports for three types of do-it-yourself retailers. Studies available are the Management Report for retail hardware stores, the Bottom Line report for home centers, and the Profit Report for retail lumber outlets.

The Bottom Line
The 1991 Bottom Line outlines financial operating data for home center operations. A home center, as defined by Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing, paint, and electrical supplies as well as lumber and building materials. Home centers generally have sales in excess of $1 million and contain a minimum of 10,000 square feet of retail selling area. The Bottom Line is designed to:

- Assess financial performance of the home center industry in 1990
- Provide comparative financial data to allow retailers the opportunity to measure their performance against industry standards
- Provide a benchmark for profit planning enabling home center retailers to improve performance levels on a continuing basis.

Additionally, the Bottom Line provides an excellent means for manufacturers, wholesalers, and other interested parties to gain a better understanding of the home center industry.

Four Major Sections
The Bottom Line is divided into four major sections: Historical Trends from 1986 through 1990; The Strategic Profit Model; Average Operating Results for 1990; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Trends provides income statement and balance sheet ratios for 1990 and the four previous Bottom Line reports, 1986-1989. This section also includes performance of individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and overall financial performance. Income statement items are presented as a percentage of net sales and balance sheet items appear as a percentage of total assets.

Departmental Information is based on the percent of contributing stores stocking and promoting (handling) major departments found in home center outlets. The percent of net sales, sales floor, and inventory are outlined for both handling firms only and for an average outlet. Departmental productivity is compared by determining the gross margin return on inventory investment for each department.

Type of Store
A variety of factors influence the cost of doing business for any home center. Therefore, report data are presented by various outlet characteristics for comparison. Information contained in Average Operating Results is presented for the following store characteristics:

- All Stores
- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Origin
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores
- Store Orientation

Methodology
The Bottom Line is made possible only through the cooperation of the home center operators who provide NRHA/HCI with detailed financial information on their individual stores. Questionnaires were mailed in February,1991 and two hundred and five usable returns were received by May, 1991 for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Research Services Staff. Forms were coded for computer processing and all identification was removed. The data was keypunched and then processed by an independent data tabulation firm.

As thanks for participation in this project, each contributing home center operator was provided a personalized computer analysis. This analysis compares each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographical area, and store location categories, as well as with the average for the entire sample.

For Assistance
Assistance and aid in interpreting the 1991 Bottom Line report may be obtained from your regional hardware association or the National Retail Hardware Association/ Home Center Institute, 5822 West 74th Street, Indianapolis, IN 46278, or phone (317) 290-0338.

Historical Trends

Income Statement Data	ALL HOME CENTERS FISCAL YEAR 1990	1989	1988	1987	1986
Net Sales Volume	$4,129,372	$3,670,568	$4,596,421	$3,750,496	$3,412,005
Gross Sales	102.60%	102.80%	102.01%	102.83%	101.96%
Less: Total Deductions	2.60	2.80	2.01	2.83	1.96
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	71.22	71.84	73.13	73.37	72.63
Margin Before Purchase Rebate or Patronage Dividend	28.78	28.16	26.87	26.63	27.37
Purchase Rebate or Patronage Dividend	.30	.43	.23	.25	.18
Margin After Purchase Rebate or Patronage Dividend	29.08	28.59	27.10	26.88	27.55
Payroll and Other Employee Expense					
Salaries -- Owners/Officers/Managers	1.81	3.43	3.08	2.22	2.64
Salaries/Wages -- Other Employees	12.17	10.75	9.98	10.94	9.90
Federal and State Payroll Taxes	1.48	1.15	1.01	1.11	1.07
Group Insurance	.80	.68	.57	.56	.53
Benefit Plans	.40	.56	.84	.57	.49
Total Payroll and Other Employee Expense	16.66	16.58	15.49	15.40	14.63
Occupancy Expense					
Heat, Light, Power, Water	.64	.58	.44	.58	.64
Building Repairs and Maintenance	.40	.43	.27	.46	.34
Rent or Ownership in Real Estate*	2.41	2.27	2.02	2.11	2.19
Total Occupancy Expense	3.45	3.28	2.74	3.15	3.17
Other Costs of Doing Business					
Advertising and Promotion	1.72	1.57	1.55	1.70	1.76
Insurance (Other than Real Estate or Group)	.53	.56	.58	.61	.61
Taxes (Other than Real Estate and Payroll)	.30	.42	.42	.31	.50
Interest (Other than Real Estate)	.88	1.17	.79	.79	1.03
Depreciation (Other than Real Estate)	.81	.72	.78	.72	.82
All Other Expenses	3.97	4.08	3.55	3.67	3.78
Total Other Costs of Doing Business	8.21	8.52	7.67	7.80	8.49
Total Operating Expenses	28.31	28.37	25.90	26.35	26.29
Operating Profit or Loss	.76	.21	1.20	.53	1.26
Other Income	1.46	2.22	1.44	1.69	1.57
Net Operating Profit or Loss (Before Income Taxes)	2.22	2.43	2.65	2.22	2.83
Financial Performance					
Profit on Investment	12.01%	11.82%	13.15%	12.30%	15.79%
Active Owner's Return	21.78%	28.50%	28.45%	24.62%	30.54%
Current Asset Ratio	2.28x	2.09x	2.40x	2.30x	2.28x
Quick Asset Ratio	.90x	.88x	1.14x	.89x	1.00x
Total Debt to Tangible Net Worth	97.07%	93.74%	82.90%	118.03%	110.09%
Stock Turn Times	4.91x	4.56x	5.45x	4.49x	4.92x
Sales to Inventory Ratio	6.89x	6.34x	7.46x	6.13x	6.78x
Average Inventory per Square Foot Sales Area	$40.87	$37.52	$39.67	$39.05	$32.43
Net Sales to Accounts Receivable	15.37x	12.45x	14.37x	11.97x	10.94x
Net Sales to Total Assets	2.74x	2.51x	2.72x	2.55x	2.66x
Net Sales to Net Worth	5.40x	4.86x	4.97x	5.55x	5.58x
Net Sales to Net Working Capital	7.44x	7.05x	6.62x	3.77x	3.86x
Other Operating Data					
Credit Sales -- % of Total Gross Sales	30.09%	58.90%	62.89%	53.59%	47.42%
Consumer Sales -- % of Total Gross Sales	69.91%	41.10%	37.11%	51.47%	52.25%
Selling Area -- Square Feet	14,226	16,113	15,534	15,398	15,055
Sales Per Square Foot -- Selling Area	$285.73	$241.11	$295.90	$240.67	$226.63
Total Area -- Square Feet	43,695	39,252	43,474	33,490	35,105
Sales Per Square Foot -- Total Area	$94.47	$99.75	$101.85	$97.07	$89.91
Sales Per Person Employed	$141,287	$133,249	$136,940	$128,930	$136,719
Sales Per Customer	$39.17	$29.73	$28.43	$25.60	$33.27

* Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated due to rounding.

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Historical Trends

Department	Percent Of Net Sales*					Sales Per Square Foot				
	1990	1989	1988	1987	1986	1990	1989	1988	1987	1986
Hardware	8.4%	9.4%	9.2%	6.5%	8.9%	$145.91	$152.75	$146.51	$160.20	$155.21
Hand Tools	2.6	3.1	2.7	2.6	3.1	124.13	170.69	191.50	190.58	170.87
Power Tools & Accessories	2.7	2.6	2.4	2.3	3.8	241.37	206.53	162.01	189.24	203.09
Plumbing, Heating & Cooling	7.6	8.2	6.8	5.4	5.8	144.19	158.26	176.51	191.83	151.23
Electrical Supplies	4.7	5.2	4.7	3.6	4.3	155.94	150.87	180.24	175.49	142.74
Paint & Home Decorating	8.5	8.0	7.5	5.4	6.0	169.53	157.93	131.31	159.63	127.01
Lumber	25.4	24.3	31.4	31.7	28.7	499.55	599.47	693.11	748.85	490.75
Building Materials	22.3	22.3	21.9	24.8	25.9	347.72	513.76	660.69	473.34	399.08
Lawn & Garden	5.4	5.8	4.5	4.4	4.9	165.18	151.35	144.15	152.86	163.40
Housewares	1.5	1.9	1.5	1.5	1.2	111.97	111.08	61.79	82.71	58.15
Automotive Supplies	.7	.7	.6	1.9	.5	123.21	102.18	103.54	84.46	90.39
Major Appliances & Home Entertainment	1.4	1.2	1.0	.5	1.2	NA	NA	71.63	263.43	121.28
Sporting Goods & Outdoor Living	.8	.9	.8	.5	.4	81.13	112.92	145.98	162.91	NA
Miscellaneous Goods	8.0	6.4	5.0	9.1	5.3	166.17	235.35	79.89	263.13	247.16

	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1990	1989	1988	1987	1986	1990	1989	1988	1987	1986
Hardware	6.1x	5.9x	6.4x	4.5x	5.5x	$2.53	$2.34	$2.78	$1.73	$2.06
Hand Tools	5.2	4.4	5.6	4.7	6.0	1.81	1.84	2.27	1.55	2.07
Power Tools & Accessories	4.2	5.2	5.8	4.2	5.6	1.24	1.90	2.00	1.22	1.66
Plumbing, Heating & Cooling	5.1	6.2	6.4	4.0	5.0	1.91	2.75	2.49	1.44	1.79
Electrical Supplies	5.1	5.2	5.0	3.7	5.3	1.90	2.37	1.93	1.38	1.94
Paint & Home Decorating	6.9	6.5	6.5	4.8	6.2	2.53	3.03	2.47	1.59	2.19
Lumber	9.9	8.8	8.7	8.5	9.4	2.48	2.39	1.93	2.02	2.20
Building Materials	7.5	7.2	7.1	7.8	8.7	2.20	2.43	1.88	2.04	2.18
Lawn & Garden	7.6	4.9	5.5	5.5	6.6	2.55	1.92	1.62	1.74	2.10
Housewares	3.0	5.2	5.4	3.7	3.5	1.06	2.32	1.60	1.17	.95
Automotive Supplies	4.6	4.6	7.2	6.9	3.4	1.51	1.93	2.28	2.01	.85
Major Appliances & Home Entertainment	5.7	6.0	4.2	2.5	4.8	1.32	1.26	.71	.45	1.00
Sporting Goods & Outdoor Living	7.2	2.7	4.6	4.2	3.4	2.25	1.08	.99	1.17	.85
Miscellaneous Goods	7.9	7.1	7.5	7.3	8.6	2.65	2.58	2.03	2.46	2.65

* Average Home Center

Monthly Sales

Month	1990	1989	1988	1987	1986
January	6.0%	6.1%	5.7%	6.0%	6.0%
February	6.0	5.5	6.0	5.8	5.0
March	7.9	7.0	7.7	7.5	6.2
April	8.5	8.6	9.2	8.5	8.2
May	9.7	9.2	9.7	9.6	9.6
June	9.8	9.9	9.8	9.9	10.1
July	9.5	9.4	9.3	9.5	9.9
August	9.4	9.6	9.0	9.1	9.1
September	8.7	9.4	9.0	8.9	9.9
October	9.0	9.5	9.0	9.3	9.7
November	8.1	8.2	8.0	8.1	8.2
December	7.6	7.6	7.6	7.8	8.1

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria -- Return on Net Worth

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales -- Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold -- Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses -- Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory -- Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable -- Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

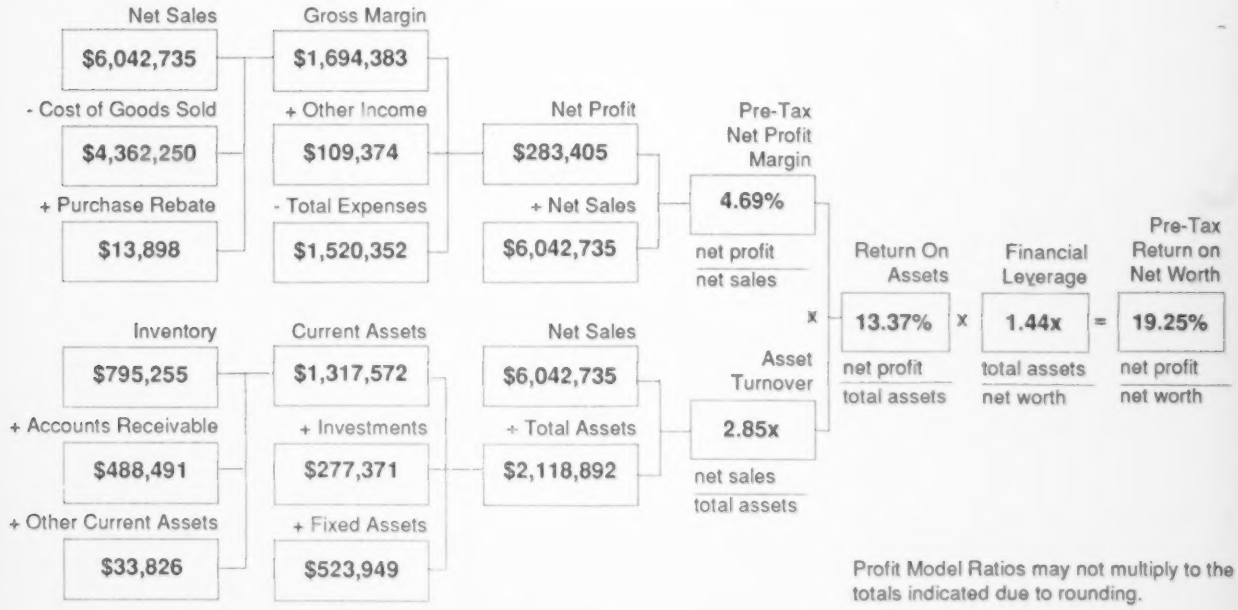
Fixed Assets -- Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Home Center category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High Profit Home Centers



Profit Model Ratios may not multiply to the totals indicated due to rounding.

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1990 Highlights

Type Of Home Center	1990 Net Sales ($)	Sales Increase Over 1989* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Home Centers	4,129,372	+3.17	29.08	2.22	12.01	4.91
Low Profit	3,102,378	-1.87	30.95	-0.99	-8.95	4.14
High Profit	6,042,735	+5.47	28.04	4.68	19.21	5.46
Sales Volume Size						
Under $3,000,000	1,835,531	+1.44	29.47	1.85	9.54	3.83
$3,000,000 to $4,999,999	4,166,762	+8.16	30.17	2.41	15.92	4.63
$5,000,000 or more	8,587,508	+2.10	28.35	2.28	11.50	5.75
Sales Floor Size						
Under 15,000 Sq. Ft.	3,403,239	+2.05	27.73	1.99	11.44	5.05
15,000 to 19,999 Sq. Ft.	3,849,659	+14.54	27.60	2.65	17.21	5.13
20,000 Sq. Ft. or more	7,862,071	+1.65	21.24	2.52	10.75	4.87
Type of Origin						
Originally Hardware	3,256,442	+3.72	33.03	3.52	16.49	3.83
Originally Lumber/Building Materials	4,832,483	+5.45	27.10	2.20	12.40	5.58
Organized as Home Center	3,666,235	-2.21	28.67	2.15	7.76	5.04
Trade Area Size						
Metropolitan Statistical Areas	6,022,994	+6.16	29.92	2.05	12.29	5.45
Cities 10,000 to 50,000	3,354,380	-0.07	28.12	2.34	10.80	4.42
Towns Under 10,000	3,153,738	+2.89	28.48	2.41	12.57	4.59
Outlet Location: Part I						
Downtown	3,857,460	+4.60	29.84	3.45	14.46	5.12
Rural & Suburban	4,323,473	+3.32	28.83	2.09	11.52	4.97
Outlet Location: Part II						
Shopping Centers	3,148,961	-0.10	31.24	4.76	16.24	5.25
Free-Standing -- No Stores Adjacent	4,778,078	+4.09	27.61	1.30	9.16	7.54
Free-Standing -- Stores Nearby	4,034,629	+3.00	28.78	2.65	12.29	6.96
Number of Stores:						
Single Store Business	4,532,222	+3.54	28.62	3.35	14.52	5.08
Multiple Store Business	3,820,288	+2.73	29.49	1.20	8.35	4.76

* As reported by Bottom Line contributors.

1990 Monthly Sales

	%
January	6.0
February	6.0
March	7.9
April	8.5
May	9.7
June	9.8
July	9.5
August	9.4
September	8.7
October	9.0
November	8.1
December	7.6

All Home Centers

Income Statement Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Number of Stores	205	50	51
Net Sales Volume	$4,129,372	$3,102,378	$6,042,735
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	3.17%	-1.87%	5.47%
Gross Sales	102.60%	102.94%	102.93%
Less: Total Deductions	2.60	2.94	2.93
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.22	69.56	72.19
Margin Before Purchase Rebate or Patronage Dividend	28.78	30.44	27.81
Purchase Rebate or Patronage Dividend	.30	.51	.23
Margin After Purchase Rebate or Patronage Dividend	29.08	30.95	28.04
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	1.81	2.40	1.83
Salaries/Wages - Other Employees	12.17	12.36	11.49
Federal and State Payroll Taxes	1.48	1.28	1.62
Group Insurance	.80	.99	.63
Benefit Plans	.40	.17	.53
Total Payroll and Other Employee Expense	16.66	17.19	16.09
Occupancy Expense			
Heat, Light, Power, Water	.64	.83	.40
Building Repairs and Maintenance	.40	.38	.38
Rent or Ownership in Real Estate**	2.41	4.26	1.73
Total Occupancy Expense	3.45	5.47	2.52
Other Costs of Doing Business			
Office Supplies and Postage	.42	.43	.39
Advertising and Promotion	1.72	2.39	1.16
Donations	.05	.04	.08
Telephone and Telegraph	.26	.30	.22
Bad Debts	.26	.32	.25
Credit Card Expense (Bank Charges)	.18	.29	.15
Delivery Expenses (Other than Wages)	.54	1.12	.57
Leasing Expenses (Non-Occupancy)	.12	.26	.05
Insurance (Other than Real Estate and Group)	.53	.36	.50
Taxes (Other than Real Estate and Payroll)	.30	.11	.29
Interest (Other than Real Estate)	.88	1.41	.36
Depreciation (Other than Real Estate)	.81	.67	.73
Store and Shop Supplies	.39	.52	.30
Legal and Accounting	.32	.33	.33
Computer Services and Expenses (Other than Wages)	.18	.43	.11
Dues and Subscriptions	.05	.07	.06
Travel, Buying, Entertainment	.19	.17	.19
Miscellaneous Services	.11	.29	.09
Unclassified Expenses	.87	.93	.72
Total Other Costs of Doing Business	8.21	10.44	6.55
Total Operating Expenses	28.31	33.11	25.16
Operating Profit or Loss	.76	-2.16	2.88
Other Income	1.46	1.17	1.81
Net Operating Profit or Loss (Before Income Taxes)	2.22	-.99	4.68

* As reported to NRHA/HCI by Bottom Line contributors.
** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent pf all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

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All Home Centers

Balance Sheet Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Total Dollar Assets	$1,507,076	$1,134,679	$2,332,811
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.86	2.96	7.08
Notes and Installment Contracts Receivable	1.43	1.22	2.09
Accounts Receivable	17.83	12.93	20.94
Merchandise Inventory - (End of Year)	39.57	44.30	34.09
Other Current Assets	1.92	2.28	1.45
Total Current Assets	65.60	63.70	65.65
Stocks and Bonds	3.18	2.06	2.62
Real Estate (Not Used In Business)	.39	.11	.78
Other Investments	6.18	6.67	8.49
Total Investments	9.75	8.84	11.89
Land (Owned and Used In Business)	3.95	3.78	5.06
Buildings (Owned and Used In Business Less Depreciation)	9.57	16.45	5.60
Leasehold Improvements (Less Amortization Allowance)	1.92	1.35	1.52
Furniture, Fixtures, Equip. (Owned and Used in Bus. Less Deprec.)	6.55	3.81	7.68
Delivery Equipment (Owned and Used in Business Less Deprec.)	1.71	1.75	1.04
Other Fixed Assets	.94	.32	1.55
Total Fixed Assets	24.64	27.46	22.46
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	12.88	13.05	11.53
Current Portion of Notes Payable	9.82	14.76	6.48
Accrued Payroll Taxes	.54	.38	.27
Accrued Other Taxes	1.08	-.05	.83
Other Accrued Expenses	2.72	4.29	2.00
Other Current Liabilities	1.74	2.41	1.39
Total Current Liabilities	28.78	34.84	22.50
Notes Due Partners/Officers	2.16	3.57	2.54
Mortgage Payable	4.76	11.19	.65
Long Term Debt	12.59	20.07	9.23
Other Long Term Liabilities	.97	.02	1.89
Total Long Term Liabilities	20.47	34.85	14.31
Total Liabilities	49.26	69.68	36.82
Net Worth	50.74	30.32	63.18
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	12.01%	-8.95%	19.21%
Active Owner's Return	21.78%	12.65%	26.69%
Current Asset Ratio	2.28	1.83	2.92
Quick Asset Ratio	.90	.56	1.40
Total Debt to Tangible Net Worth	97.07%	229.86%	58.27%
Stock Turn Times	4.91	4.14	5.46
Sales to Inventory Ratio	6.89	5.96	7.56
Average Inventory per Sq. Ft. Sales Area	$40.87	$32.65	$50.22
Net Sales to Accounts Receivable	15.37	21.14	12.37
Net Sales to Total Assets	2.74	2.73	2.59
Net Sales to Net Worth	5.40	9.02	4.10
Net Sales to Net Working Capital	7.44	9.47	6.00
Other Operating Data			
Credit Sales - % of Total Gross Sales	30.09%	29.31%	48.83%
Consumer Sales - % of Total Gross Sales	69.91%	70.69%	51.17%
Selling Area - Square Feet	14,226	15,954	15,978
Sales Per Square Foot - Selling Area	$285.73	$194.46	$376.14
Total Area - Square Feet	43,695	68,116	34,417
Sales Per Square Foot - Total Area	$94.47	$45.90	$180.39
Sales Per Person Employed	$141,287	$116,806	$167,489
Sales Per Customer	$39.17	$27.62	$56.08

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent pf all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

Sales Volume Size

Income Statement Data	Sales Under $3,000,000	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Number of Stores	100	54	51
Net Sales Volume	$1,835,531	$4,166,762	$8,587,508
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	1.44%	8.16%	2.10%
Gross Sales	102.59%	102.92%	102.43%
Less: Total Deductions	2.59	2.92	2.43
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	70.95	70.14	71.89
Margin Before Purchase Rebate or Patronage Dividend	29.05	29.86	28.11
Purchase Rebate or Patronage Dividend	.42	.31	.24
Margin After Purchase Rebate or Patronage Dividend	29.47	30.17	28.35
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	2.75	1.11	1.77
Salaries/Wages - Other Employees	11.44	12.37	12.38
Federal and State Payroll Taxes	1.27	1.54	1.54
Group Insurance	.62	1.09	.72
Benefit Plans	.28	.36	.48
Total Payroll and Other Employee Expense	16.36	16.47	16.89
Occupancy Expense			
Heat, Light, Power, Water	.74	.82	.50
Building Repairs and Maintenance	.38	.32	.44
Rent or Ownership in Real Estate**	2.56	2.23	2.44
Total Occupancy Expense	3.69	3.38	3.38
Other Costs of Doing Business			
Office Supplies and Postage	.39	.42	.43
Advertising and Promotion	1.65	2.08	1.57
Donations	.05	.02	.03
Telephone and Telegraph	.26	.32	.24
Bad Debts	.37	.26	.22
Credit Card Expense (Bank Charges)	.13	.22	.18
Delivery Expenses (Other than Wages)	.73	.34	.57
Leasing Expenses (Non-Occupancy)	.25	.18	.03
Insurance (Other than Real Estate and Group)	.71	.53	.45
Taxes (Other than Real Estate and Payroll)	.33	.53	.17
Interest (Other than Real Estate)	1.71	.95	.49
Depreciation (Other than Real Estate)	.60	1.22	.69
Store and Shop Supplies	.45	.41	.36
Legal and Accounting	.30	.29	.35
Computer Services and Expenses (Other than Wages)	.20	.11	.21
Dues and Subscriptions	.07	.04	.06
Travel, Buying, Entertainment	.20	.15	.21
Miscellaneous Services	.14	.03	.14
Unclassified Expenses	.68	1.04	.86
Total Other Costs of Doing Business	9.20	9.13	7.31
Total Operating Expenses	29.25	28.98	27.58
Operating Profit or Loss	.22	1.19	.77
Other Income	1.63	1.22	1.51
Net Operating Profit or Loss (Before Income Taxes)	1.85	2.41	2.28

* As reported to NRHA/HCI by Bottom Line contributors.

** Ownership in Real Estate includes Taxes, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

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Sales Volume Size

Balance Sheet Data	Sales Under $3,000,000	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Total Dollar Assets	$759,139	$1,415,445	$3,070,642
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.31	3.51	5.78
Notes and Installment Contracts Receivable	1.41	.69	1.80
Accounts Receivable	15.84	14.60	20.37
Merchandise Inventory - (End of Year)	44.46	45.44	34.34
Other Current Assets	2.03	2.15	1.75
Total Current Assets	68.06	66.38	64.04
Stocks and Bonds	3.90	1.52	3.64
Real Estate (Not Used In Business)	.20	.30	.53
Other Investments	5.40	3.31	7.96
Total Investments	9.50	5.13	12.14
Land (Owned and Used In Business)	3.02	2.26	5.23
Buildings (Owned and Used In Business Less Depreciation)	9.57	11.96	8.41
Leasehold Improvements (Less Amortization Allowance)	1.87	2.39	1.71
Furniture, Fixtures, Equip. (Owned and Used in Bus. Less Depre.)	4.79	7.93	6.74
Delivery Equipment (Owned and Used in Business Less Deprec.)	2.99	1.95	.97
Other Fixed Assets	.21	1.99	.77
Total Fixed Assets	22.45	28.49	23.83
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	11.37	15.18	12.49
Current Portion of Notes Payable	14.57	12.26	6.33
Accrued Payroll Taxes	.30	1.24	.31
Accrued Other Taxes	.51	2.21	.81
Other Accrued Expenses	2.21	1.97	3.33
Other Current Liabilities	.90	.18	2.92
Total Current Liabilities	29.85	33.03	26.19
Notes Due Partners/Officers	1.94	1.61	2.53
Mortgage Payable	.57	8.47	4.99
Long Term Debt	20.31	10.07	10.07
Other Long Term Liabilities	.33	2.23	.65
Total Long Term Liabilities	23.15	22.38	18.25
Total Liabilities	53.00	55.42	44.44
Net Worth	47.00	44.58	55.56
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	9.54%	15.92%	11.50%
Active Owner's Return	23.71%	23.25%	20.41%
Current Asset Ratio	2.28	2.01	2.45
Quick Asset Ratio	.79	.63	1.13
Total Debt to Tangible Net Worth	112.77%	124.29%	79.98%
Stock Turn Times	3.83	4.63	5.75
Sales to Inventory Ratio	5.39	6.61	8.00
Average Inventory per Sq. Ft. Sales Area	$30.82	$42.89	$50.44
Net Sales to Accounts Receivable	15.27	20.17	13.73
Net Sales to Total Assets	2.42	2.94	2.80
Net Sales to Net Worth	5.14	6.60	5.03
Net Sales to Net Working Capital	6.33	8.83	7.39
Other Operating Data			
Credit Sales - % of Total Gross Sales	59.35%	17.19%	28.99%
Consumer Sales - % of Total Gross Sales	40.65%	82.81%	71.01%
Selling Area - Square Feet	11,042	12,905	21,439
Sales Per Square Foot - Selling Area	$166.23	$305.00	$401.41
Total Area - Square Feet	41,658	39,158	49,833
Sales Per Square Foot - Total Area	$44.04	$99.25	$172.69
Sales Per Person Employed	$128,208	$130,088	$151,597
Sales Per Customer	$28.42	$44.28	$45.60

Figures may not add to totals indicated due to rounding.

Sales Floor Size

Income Statement Data	Sales Area Under 15,000 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq.Ft.	Sales Area 20,000 Sq. Ft. Or More
Number of Stores	137	20	25
Net Sales Volume	$3,403,239	$3,849,659	$7,862,071
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	2.05%	14.54%	1.65%
Gross Sales	102.23%	103.00%	102.07%
Less: Total Deductions	2.23	3.00	2.07
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.63	72.72	69.00
Margin Before Purchase Rebate or Patronage Dividend	27.37	27.28	31.00
Purchase Rebate or Patronage Dividend	.36	.32	.25
Margin After Purchase Rebate or Patronage Dividend	27.73	27.60	31.24
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	1.96	1.89	2.27
Salaries/Wages - Other Employees	11.82	10.80	12.90
Federal and State Payroll Taxes	1.57	1.21	1.29
Group Insurance	.65	.72	.88
Benefit Plans	.36	.58	.54
Total Payroll and Other Employee Expense	16.36	15.20	17.89
Occupancy Expense			
Heat, Light, Power, Water	.51	.47	.67
Building Repairs and Maintenance	.40	.35	.42
Rent or Ownership in Real Estate**	2.06	2.25	3.37
Total Occupancy Expense	2.96	3.08	4.46
Other Costs of Doing Business			
Office Supplies and Postage	.43	.33	.40
Advertising and Promotion	1.35	1.68	2.06
Donations	.05	.02	.10
Telephone and Telegraph	.27	.25	.21
Bad Debts	.29	.38	.22
Credit Card Expense (Bank Charges)	.08	.18	.33
Delivery Expenses (Other than Wages)	.62	.25	.62
Leasing Expenses (Non-Occupancy)	.14	.10	.01
Insurance (Other than Real Estate and Group)	.67	.46	.35
Taxes (Other than Real Estate and Payroll)	.33	.20	.10
Interest (Other than Real Estate)	1.11	1.31	.38
Depreciation (Other than Real Estate)	.71	.99	.60
Store and Shop Supplies	.33	.25	.45
Legal and Accounting	.34	.31	.34
Computer Services and Expenses (Other than Wages)	.14	.28	.34
Dues and Subscriptions	.07	.05	.04
Travel, Buying, Entertainment	.21	.15	.18
Miscellaneous Services	.11	.07	.20
Unclassified Expenses	.74	.77	1.06
Total Other Costs of Doing Business	7.99	8.03	8.01
Total Operating Expenses	27.31	26.30	30.36
Operating Profit or Loss	.42	1.30	.89
Other Income	1.57	1.35	1.64
Net Operating Profit or Loss (Before Income Taxes)	1.99	2.65	2.52

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Sales Floor Size

Balance Sheet Data	Sales Area Under 15,000 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Total Dollar Assets	$1,214,660	$1,345,357	$3,164,025
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.03	3.01	6.18
Notes and Installment Contracts Receivable	1.08	6.34	1.16
Accounts Receivable	23.29	18.95	12.25
Merchandise Inventory - (End of Year)	39.63	41.92	34.41
Other Current Assets	2.14	.37	1.60
Total Current Assets	71.17	70.59	55.60
Stocks and Bonds	2.91	2.94	5.23
Real Estate (Not Used In Business)	.30	-	.88
Other Investments	4.08	7.01	12.26
Total Investments	7.29	9.95	18.37
Land (Owned and Used In Business)	3.08	.47	6.71
Buildings (Owned and Used In Business Less Depreciation)	7.11	6.29	10.85
Leasehold Improvements (Less Amortization Allowance)	2.11	1.20	1.21
Furniture, Fixtures, Equip. (Owned and Used in Bus. Less Depre.)	5.93	7.58	5.51
Delivery Equipment (Owned and Used in Business Less Deprec.)	2.01	2.66	1.24
Other Fixed Assets	1.30	1.25	.50
Total Fixed Assets	21.54	19.46	26.03
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	13.55	13.80	9.81
Current Portion of Notes Payable	12.89	11.50	5.05
Accrued Payroll Taxes	.27	.68	.37
Accrued Other Taxes	.63	1.65	.72
Other Accrued Expenses	2.92	2.01	3.08
Other Current Liabilities	1.94	.81	2.23
Total Current Liabilities	32.20	30.45	21.26
Notes Due Partners/Officers	2.32	3.55	2.34
Mortgage Payable	.98	.81	8.92
Long Term Debt	14.82	20.05	8.38
Other Long Term Liabilities	1.05	1.16	.76
Total Long Term Liabilities	19.16	25.57	20.40
Total Liabilities	51.36	56.02	41.66
Net Worth	48.64	43.98	58.34
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	11.44%	17.21%	10.75%
Active Owner's Return	22.75%	29.50%	20.40%
Current Asset Ratio	2.21	2.32	2.62
Quick Asset Ratio	.98	.94	1.00
Total Debt to Tangible Net Worth	105.60%	127.39%	71.41%
Stock Turn Times	5.05	5.13	4.87
Sales to Inventory Ratio	6.96	7.06	7.05
Average Inventory per Sq. Ft. Sales Area	$48.67	$33.87	$31.32
Net Sales to Accounts Receivable	12.03	15.10	20.28
Net Sales to Total Assets	2.80	2.86	2.48
Net Sales to Net Worth	5.76	6.51	4.26
Net Sales to Net Working Capital	7.19	7.13	7.24
Other Operating Data			
Credit Sales - % of Total Gross Sales	58.94%	26.44%	15.90%
Consumer Sales - % of Total Gross Sales	41.06%	73.56%	84.10%
Selling Area - Square Feet	10,054	16,100	35,589
Sales Per Square Foot - Selling Area	$338.51	$239.11	$220.91
Total Area - Square Feet	42,089	30,842	64,207
Sales Per Square Foot - Total Area	$80.90	$125.18	$133.89
Sales Per Person Employed	$145,728	$134,839	$129,652
Sales Per Customer	$46.51	$41.09	$30.34

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Type of Origin

Income Statement Data	Originally Hardware Store	Originally Lumber/ Building Materials Outlet	Originally Home Center
Number of Stores	64	96	16
Net Sales Volume	$3,256,442	$4,832,483	$3,666,235
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	3.72%	5.45%	-2.21%
Gross Sales	103.20%	102.37%	100.33%
Less: Total Deductions	3.20	2.37	.33
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	67.25	73.19	71.51
Margin Before Purchase Rebate or Patronage Dividend	32.75	26.81	28.49
Purchase Rebate or Patronage Dividend	.29	.29	.18
Margin After Purchase Rebate or Patronage Dividend	33.03	27.10	28.67
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	1.03	1.96	2.65
Salaries/Wages - Other Employees	13.60	11.68	11.93
Federal and State Payroll Taxes	1.55	1.54	1.20
Group Insurance	1.02	.70	.72
Benefit Plans	.47	.43	.54
Total Payroll and Other Employee Expense	17.67	16.32	17.05
Occupancy Expense			
Heat, Light, Power, Water	1.05	.40	.64
Building Repairs and Maintenance	.44	.39	.48
Rent or Ownership in Real Estate**	2.55	1.86	2.90
Total Occupancy Expense	4.04	2.65	4.02
Other Costs of Doing Business			
Advertising and Promotion	2.37	1.22	1.42
Insurance (Other than Real Estate and Group)	.42	.64	.53
Taxes (Other than Real Estate and Payroll)	.43	.22	.39
Interest (Other than Real Estate)	.84	.85	1.09
Depreciation (Other than Real Estate)	1.02	.83	.70
All Other Expenses	3.74	3.75	3.93
Total Other Costs of Doing Business	8.82	7.52	8.07
Total Operating Expenses	30.53	26.49	29.13
Operating Profit or Loss	2.50	.61	-.47
Other Income	1.02	1.59	2.61
Net Operating Profit or Loss (Before Income Taxes)	3.52	2.20	2.15
Financial Performance			
Profit on Investment	16.49%	12.40%	7.76%
Active Owner's Return	21.30%	23.46%	17.37%
Current Asset Ratio	2.31	2.27	2.77
Quick Asset Ratio	.58	1.03	1.51
Total Debt to Tangible Net Worth	81.85%	97.73%	71.36%
Stock Turn Times	3.83	5.58	5.04
Sales to Inventory Ratio	5.69	7.62	7.05
Average Inventory per Sq. Ft. Sales Area	$33.24	$50.00	$39.52
Net Sales to Accounts Receivable	30.06	12.76	8.56
Net Sales to Total Assets	2.58	2.85	2.11
Net Sales to Net Worth	4.69	5.63	3.62
Net Sales to Net Working Capital	7.40	7.41	5.21
Other Operating Data			
Credit Sales - % of Total Gross Sales	7.94%	52.95%	66.97%
Consumer Sales - % of Total Gross Sales	92.06%	47.05%	33.03%
Selling Area - Square Feet	14,559	12,686	13,154
Sales Per Square Foot - Selling Area	$173.05	$380.94	$278.72
Total Area - Square Feet	21,539	36,367	25,822
Sales Per Square Foot - Total Area	$117.48	$137.03	$141.98
Sales Per Person Employed	$117,856	$158,082	$134,850
Sales Per Customer	$28.95	$63.70	$26.37

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Trade Area Size

Income Statement Data	Metropolitan Statistical Areas	Cities 10,000 To 50,000 Pop.	Towns Under 10,000 Pop.
Number of Stores	56	53	85
Net Sales Volume	$6,022,994	$3,354,380	$3,153,738
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	6.16%	-.07%	2.89%
Gross Sales	102.76%	104.44%	101.14%
Less: Total Deductions	2.76	4.44	1.14
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	70.19	72.39	71.96
Margin Before Purchase Rebate or Patronage Dividend	29.81	27.61	28.04
Purchase Rebate or Patronage Dividend	.11	.51	.44
Margin After Purchase Rebate or Patronage Dividend	29.92	28.12	28.48
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	1.12	2.95	2.06
Salaries/Wages - Other Employees	12.84	11.42	11.68
Federal and State Payroll Taxes	1.71	1.22	1.31
Group Insurance	.88	.83	.65
Benefit Plans	.32	.45	.49
Total Payroll and Other Employee Expense	16.88	16.88	16.20
Occupancy Expense			
Heat, Light, Power, Water	.75	.63	.48
Building Repairs and Maintenance	.43	.33	.39
Rent or Ownership in Real Estate**	2.73	2.15	2.12
Total Occupancy Expense	3.91	3.10	2.99
Other Costs of Doing Business			
Advertising and Promotion	2.04	1.61	1.34
Insurance (Other than Real Estate and Group)	.33	.57	.79
Taxes (Other than Real Estate and Payroll)	.26	.25	.40
Interest (Other than Real Estate)	.54	.97	1.31
Depreciation (Other than Real Estate)	.89	.55	.86
All Other Expenses	3.92	4.02	4.00
Total Other Costs of Doing Business	7.98	7.97	8.69
Total Operating Expenses	28.77	27.95	27.89
Operating Profit or Loss	1.15	.17	.59
Other Income	.90	2.17	1.82
Net Operating Profit or Loss (Before Income Taxes)	2.05	2.34	2.41
Financial Performance			
Profit on Investment	12.29%	10.80%	12.57%
Active Owner's Return	19.03%	24.41%	23.33%
Current Asset Ratio	2.19	2.15	2.49
Quick Asset Ratio	.84	.83	1.05
Total Debt to Tangible Net Worth	97.39%	89.24%	102.47%
Stock Turn Times	5.45	4.42	4.59
Sales to Inventory Ratio	7.76	6.10	6.38
Average Inventory per Sq. Ft. Sales Area	$41.96	$39.70	$40.80
Net Sales to Accounts Receivable	18.92	14.27	12.55
Net Sales to Total Assets	3.04	2.44	2.58
Net Sales to Net Worth	6.00	4.61	5.22
Net Sales to Net Working Capital	8.77	7.18	6.21
Other Operating Data			
Credit Sales - % of Total Gross Sales	11.63%	55.86%	61.70%
Consumer Sales - % of Total Gross Sales	88.37%	44.14%	38.30%
Selling Area - Square Feet	18,832	13,847	11,997
Sales Per Square Foot - Selling Area	$357.07	$242.25	$257.41
Total Area - Square Feet	39,159	68,392	29,561
Sales Per Square Foot - Total Area	$174.42	$49.50	$103.09
Sales Per Person Employed	$134,251	$140,650	$150,587
Sales Per Customer	$45.07	$32.40	$37.40

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Store Location: Part I

Income Statement Data	Downtown	Rural And Suburban
Number of Stores	21	167
Net Sales Volume	$3,857,460	$4,323,473
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	4.60%	3.32%
Gross Sales	101.01%	102.75%
Less: Total Deductions	1.01	2.75
Net sales	100.00%	100.00%
Cost of Goods Sold	70.62	71.40
Margin Before Purchase Rebate or Patronage Dividend	29.38	28.60
Purchase Rebate or Patronage Dividend	.46	.24
Margin After Purchase Rebate or Patronage Dividend	29.84	28.83
Payroll and Other Employee Expense		
Salaries - Owners/Officers/Managers	2.97	1.68
Salaries/Wages - Other Employees	11.93	12.16
Federal and State Payroll Taxes	1.25	1.48
Group Insurance	.60	.80
Benefit Plans	.45	.40
Total Payroll and Other Employee Expense	17.19	16.52
Occupancy Expense		
Heat, Light, Power, Water	.62	.63
Building Repairs and Maintenance	.42	.41
Rent or Ownership in Real Estate**	1.69	2.48
Total Occupancy Expense	2.73	3.52
Other Costs of Doing Business		
Advertising and Promotion	1.50	1.74
Insurance (Other than Real Estate and Group)	.71	.49
Taxes (Other than Real Estate and Payroll)	.29	.30
Interest (Other than Real Estate)	.78	.84
Depreciation (Other than Real Estate)	.60	.85
All Other Expenses	4.32	3.96
Total Other Costs of Doing Business	8.22	8.18
Total Operating Expenses	28.14	28.21
Operating Profit or Loss	1.70	.62
Other Income	1.76	1.46
Net Operating Profit or Loss (Before Income Taxes)	3.45	2.09
Financial Performance		
Profit on Investment	14.46%	11.52%
Active Owner's Return	26.89%	20.80%
Current Asset Ratio	2.75	2.26
Quick Asset Ratio	1.30	.89
Total Debt to Tangible Net Worth	58.10%	101.07%
Stock Turn Times	5.12	4.97
Sales to Inventory Ratio	7.25	6.96
Average Inventory per Sq. Ft. Sales Area	$33.25	$41.69
Net Sales to Accounts Receivable	3.57	15.57
Net Sales to Total Assets	2.65	2.75
Net Sales to Net Worth	4.19	5.52
Net Sales to Net Working Capital	6.20	7.59
Other Operating Data		
Credit Sales - % of Total Gross Sales	53.71%	27.35%
Consumer Sales - % of Total Gross Sales	46.29%	72.65%
Selling Area - Square Feet	15,825	14,447
Sales Per Square Foot - Selling Area	$231.69	$297.39
Total Area - Square Feet	38,128	46,772
Sales Per Square Foot - Total Area	$99.48	$93.05
Sales Per Person Employed	$159,149	$142,783
Sales Per Customer	$32.25	$41.34

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Store Location: Part II

Income Statement Data	Shopping Centers	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	13	58	101
Net Sales Volume	$3,148,961	$4,778,078	$4,034,629
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	-.10%	4.09%	3.00%
Gross Sales	100.52%	102.40%	102.15%
Less: Total Deductions	.52	2.40	2.15
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	69.02	72.54	71.60
Margin Before Purchase Rebate or Patronage Dividend	30.98	27.46	28.40
Purchase Rebate or Patronage Dividend	.26	.16	.38
Margin After Purchase Rebate or Patronage Dividend	31.24	27.61	28.78
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	3.38	1.75	2.11
Salaries/Wages - Other Employees	11.93	11.55	12.13
Federal and State Payroll Taxes	1.17	1.28	1.58
Group Insurance	.50	.81	.66
Benefit Plans	.61	.29	.52
Total Payroll and Other Employee Expense	17.58	15.69	17.00
Occupancy Expense			
Heat, Light, Power, Water	.59	.55	.51
Building Repairs and Maintenance	.31	.41	.41
Rent or Ownership in Real Estate**	2.60	2.90	2.00
Total Occupancy Expense	3.50	3.87	2.92
Other Costs of Doing Business			
Advertising and Promotion	2.15	1.87	1.24
Insurance (Other than Real Estate and Group)	.42	.42	.66
Taxes (Other than Real Estate and Payroll)	.35	.26	.24
Interest (Other than Real Estate)	.59	.83	.98
Depreciation (Other than Real Estate)	.39	.68	.80
All Other Expenses	3.00	3.91	4.10
Total Other Costs of Doing Business	6.89	7.97	8.02
Total Operating Expenses	27.98	27.53	27.94
Operating Profit or Loss	3.26	.08	.83
Other Income	1.50	1.21	1.82
Net Operating Profit or Loss (Before Income Taxes)	4.76	1.30	2.65
Financial Performance			
Profit on Investment	16.24%	9.16%	12.29%
Active Owner's Return	27.78%	21.56%	22.06%
Current Asset Ratio	4.10	1.98	2.45
Quick Asset Ratio	1.53	.83	1.08
Total Debt to Tangible Net Worth	36.40%	128.46%	85.02%
Stock Turn Times	3.62	5.47	4.98
Sales to Inventory Ratio	5.25	7.54	6.96
Average Inventory per Sq. Ft. Sales Area	$41.05	$40.38	$42.24
Net Sales to Accounts Receivable	14.94	14.47	13.06
Net Sales to Total Assets	2.50	3.10	2.51
Net Sales to Net Worth	3.41	7.07	4.64
Net Sales to Net Working Capital	4.39	8.89	6.69
Other Operating Data			
Credit Sales - % of Total Gross Sales	56.25%	29.11%	57.67%
Consumer Sales - % of Total Gross Sales	43.75%	70.89%	42.33%
Selling Area - Square Feet	14,611	15,671	13,709
Sales Per Square Foot - Selling Area	$215.52	$305.62	$291.65
Total Area - Square Feet	19,616	41,085	51,271
Sales Per Square Foot - Total Area	$157.76	$119.74	$79.04
Sales Per Person Employed	$143,637	$132,281	$149,157
Sales Per Customer	$24.60	$31.56	$51.39

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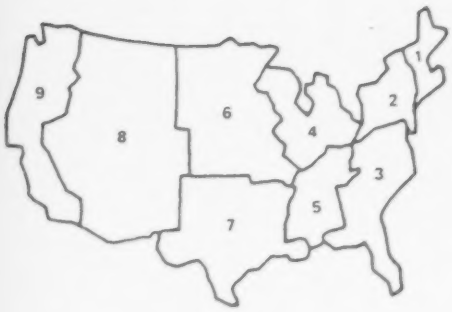
Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

* As reported to NRHA/HCI by Bottom Line contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Income Statement Data	1 New England
Number of Stores	12
Net Sales Volume	$2,793,419
Current year's sales vs. previous year (1990 vs. 1989)*	-12.46%
Gross Sales	100.45%
Less: Total Deductions	.45
Net Sales	100.00%
Cost of Goods Sold	70.32
Margin Before Purchase Rebate or Patronage Dividend	29.68
Purchase Rebate or Patronage Dividend	.05
Margin After Purchase Rebate or Patronage Dividend	29.73
Payroll and Other Employee Expense	
Salaries -- Owners/Officers/Managers	1.75
Salaries/Wages -- Other Employees	13.06
Federal and State Payroll Taxes	1.17
Group Insurance	.90
Benefit Plans	.15
Total Payroll and Other Employee Expense	17.02
Occupancy Expense	
Heat, Light, Power, Water	.59
Building Repairs and Maintenance	.43
Rent or Ownership in Real Estate**	3.15
Total Occupancy Expense	4.17
Other Costs of Doing Business	
Advertising and Promotion	1.19
Insurance (Other than Real Estate or Group)	.94
Taxes (Other than Real Estate and Payroll)	.01
Interest (Other than Real Estate)	1.45
Depreciation (Other than Real Estate)	1.41
All Other Expenses	6.69
Total Other Costs of Doing Business	11.69
Total Operating Expense	32.88
Operating Profit or Loss	-3.15
Other Income	3.33
Net Operating Profit or Loss (Before Income Taxes)	.18
Financial Performance	
Profit on Investment	.88%
Active Owner's Return	9.44%
Current Asset Ratio	2.99x
Quick Asset Ratio	1.46x
Total Debt to Tangible Net Worth	120.82%
Stock Turn Times	4.95x
Sales to Inventory Ratio	7.04x
Average Inventory per Square Foot Sales Area	$42.87
Net Sales to Accounts Receivable	13.88x
Net Sales to Total Assets	2.21x
Net Sales to Net Worth	4.89x
Net Sales to Net Working Capital	5.68x
Other Operating Data	
Credit Sales -- % of Total Gross Sales	50.34%
Consumer Sales -- % of Total Gross Sales	49.66%
Selling Area -- Square Feet	9,250
Sales Per Square Foot -- Selling Area	$301.99
Total Area -- Square Feet	23,417
Sales Per Square Foot -- Total Area	$119.29
Sales Per Person Employed	$200,725

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
27	30	63	3	21	8	9	31
$3,469,437	$3,386,433	$4,636,824	$2,173,618	$3,686,708	$5,218,006	$4,897,152	$4,908,090
-2.65%	.47%	7.59%	4.22%	-2.73%	4.43%	5.51%	6.85%
100.28%	103.34%	103.39%	103.21%	104.54%	101.82%	101.61%	102.02%
.28	3.34	3.39	3.21	4.54	1.82	1.61	2.02
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
71.15	72.68	70.35	75.37	74.82	66.39	74.16	70.70
28.85	27.32	29.65	24.63	25.18	33.61	25.84	29.30
.42	.70	.14	-	.58	.44	.21	.17
29.28	28.02	29.80	24.63	25.76	34.05	26.05	29.47
3.06	2.58	1.02	5.38	2.08	2.35	1.46	1.76
11.48	11.50	12.40	5.66	11.64	13.19	11.78	12.73
1.41	1.17	1.40	.94	1.24	1.34	1.14	2.24
.86	.90	.97	1.54	.78	.62	.43	.45
.40	.57	.22	-	.22	1.25	.28	.62
17.21	16.73	16.01	13.51	15.97	18.74	15.09	17.81
.48	.50	.92	.52	.57	.51	.44	.43
.36	.27	.34	.25	.60	.88	.22	.43
2.16	2.25	2.94	1.98	1.76	2.07	2.14	2.03
3.00	3.02	4.20	2.76	2.92	3.46	2.79	2.89
1.40	1.45	2.45	.95	1.35	1.05	1.43	1.34
.99	.45	.27	.51	.39	.73	.48	.72
.27	.40	.36	.23	.15	.88	.21	.16
1.53	.86	.68	.78	1.52	.35	1.05	.51
1.11	.69	.98	.57	.28	.27	.53	.78
3.91	3.63	4.01	3.66	4.06	2.98	3.75	3.80
9.21	7.48	8.76	6.69	7.75	6.27	7.45	7.30
29.42	27.23	28.97	22.96	26.64	28.47	25.33	28.00
-.14	.78	.82	1.67	-.88	5.58	.71	1.48
1.35	1.89	.85	3.04	1.93	2.35	1.88	1.36
1.21	2.67	1.67	4.71	1.05	7.93	2.60	2.84
8.58%	12.07%	11.49%	14.61%	6.05%	16.82%	11.91%	16.50%
30.33%	23.75%	18.46%	31.29%	18.05%	21.80%	18.62%	26.72%
2.19	2.14	2.08	2.66	1.71	7.44	2.71	2.55
.95	.87	.57	1.12	.64	3.18	1.53	1.27
158.13%	91.61%	122.09%	37.96%	115.51%	12.52%	83.27%	88.89%
4.79	4.59	4.67	4.39	4.44	4.44	5.82	6.26
6.74	6.31	6.64	5.82	5.93	6.69	7.85	8.86
$48.11	$41.50	$35.49	$32.19	$55.48	$32.60	$39.11	$40.83
12.34	12.81	25.76	9.02	14.07	15.35	8.13	13.53
2.75	2.36	3.09	2.25	2.68	1.88	2.50	3.08
7.10	4.53	6.87	3.10	5.78	2.12	4.59	5.81
7.08	7.06	9.17	5.57	9.23	4.46	5.41	7.35
45.85%	69.02%	12.93%	66.42%	72.21%	47.23%	44.12%	21.19%
54.15%	30.98%	87.07%	33.58%	27.79%	52.77%	55.88%	78.81%
10,700	12,792	19,046	11,600	11,205	23,938	15,960	13,567
$324.25	$262.71	$242.71	$187.38	$329.03	$217.98	$306.84	$361.76
22,837	25,220	42,728	16,250	133,390	55,742	26,957	29,919
$146.84	$135.08	$112.01	$145.43	$27.79	$93.61	$181.67	$164.05
$147,451	$130,919	$136,378	$176,239	$138,747	$130,859	$128,497	$150,198
$32.19	$30.03	$35.62	$47.80	$33.57	$40.76	$30.62	$58.13

Number of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	89	116
Net Sales Volume	$4,532,222	$3,820,288
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	3.54%	2.73%
Gross Sales	102.64%	102.56%
Less: Total Deductions	2.64	2.56
Net sales	100.00%	100.00%
Cost of Goods Sold	71.68	70.80
Margin Before Purchase Rebate or Patronage Dividend	28.32	29.20
Purchase Rebate or Patronage Dividend	.30	.30
Margin After Purchase Rebate or Patronage Dividend	28.62	29.49
Payroll and Other Employee Expense		
Salaries - Owners/Officers/Managers	2.55	1.13
Salaries/Wages - Other Employees	11.47	12.81
Federal and State Payroll Taxes	1.18	1.76
Group Insurance	.74	.85
Benefit Plans	.61	.22
Total Payroll and Other Employee Expense	16.54	16.77
Occupancy Expense		
Heat, Light, Power, Water	.47	.79
Building Repairs and Maintenance	.39	.40
Rent or Ownership in Real Estate**	1.98	2.81
Total Occupancy Expense	2.84	4.00
Other Costs of Doing Business		
Advertising and Promotion	1.40	2.01
Insurance (Other than Real Estate and Group)	.64	.42
Taxes (Other than Real Estate and Payroll)	.33	.28
Interest (Other than Real Estate)	.76	.98
Depreciation (Other than Real Estate)	.76	.86
All Other Expenses	3.83	4.09
Total Other Costs of Doing Business	7.72	8.65
Total Operating Expenses	27.10	29.42
Operating Profit or Loss	1.52	.08
Other Income	1.83	1.12
Net Operating Profit or Loss (Before Income Taxes)	3.35	1.20
Financial Performance		
Profit on Investment	14.52%	8.35%
Active Owner's Return	25.55%	16.25%
Current Asset Ratio	2.61	2.01
Quick Asset Ratio	1.19	.66
Total Debt to Tangible Net Worth	70.44%	136.08%
Stock Turn Times	5.08	4.76
Sales to Inventory Ratio	7.09	6.72
Average Inventory per Sq. Ft. Sales Area	$42.52	$39.19
Net Sales to Accounts Receivable	12.15	20.26
Net Sales to Total Assets	2.54	2.95
Net Sales to Net Worth	4.33	6.97
Net Sales to Net Working Capital	6.24	9.02
Other Operating Data		
Credit Sales - % of Total Gross Sales	53.22%	18.47%
Consumer Sales - % of Total Gross Sales	46.78%	81.53%
Selling Area - Square Feet	15,014	13,504
Sales Per Square Foot - Selling Area	$299.77	$271.45
Total Area - Square Feet	33,304	52,504
Sales Per Square Foot - Total Area	$141.76	$69.04
Sales Per Person Employed	$152,041	$130,621
Sales Per Customer	$36.71	$41.99

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Figures may not add to totals indicated due to rounding.

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Store Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Stores	60	142
Net Sales Volume	$5,587,243	$3,521,287
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	5.11%	2.04%
Gross Sales	101.63%	103.19%
Less: Total Deductions	1.63	3.19
Net sales	100.00%	100.00%
Cost of Goods Sold	73.55	69.60
Margin Before Purchase Rebate or Patronage Dividend	26.45	30.40
Purchase Rebate or Patronage Dividend	.20	.37
Margin After Purchase Rebate or Patronage Dividend	26.65	30.77
Payroll and Other Employee Expense		
Salaries - Owners/Officers/Managers	1.84	1.77
Salaries/Wages - Other Employees	11.79	12.48
Federal and State Payroll Taxes	1.67	1.37
Group Insurance	.69	.87
Benefit Plans	.40	.41
Total Payroll and Other Employee Expense	16.39	16.91
Occupancy Expense		
Heat, Light, Power, Water	.39	.81
Building Repairs and Maintenance	.44	.37
Rent or Ownership in Real Estate**	1.85	2.82
Total Occupancy Expense	2.67	4.00
Other Costs of Doing Business		
Advertising and Promotion	1.07	2.16
Insurance (Other than Real Estate and Group)	.52	.52
Taxes (Other than Real Estate and Payroll)	.26	.32
Interest (Other than Real Estate)	.81	.92
Depreciation (Other than Real Estate)	.87	.77
All Other Expenses	3.86	4.04
Total Other Costs of Doing Business	7.40	8.74
Total Operating Expenses	26.46	29.65
Operating Profit or Loss	.19	1.12
Other Income	1.81	1.22
Net Operating Profit or Loss (Before Income Taxes)	2.00	2.34
Financial Performance		
Profit on Investment	10.63%	12.81%
Active Owner's Return	20.43%	22.51%
Current Asset Ratio	2.26	2.28
Quick Asset Ratio	1.11	.76
Total Debt to Tangible Net Worth	94.40%	99.54%
Stock Turn Times	5.92	4.39
Sales to Inventory Ratio	8.05	6.31
Average Inventory per Sq. Ft. Sales Area	$58.65	$33.90
Net Sales to Accounts Receivable	11.38	20.29
Net Sales to Total Assets	2.74	2.74
Net Sales to Net Worth	5.33	5.47
Net Sales to Net Working Capital	7.44	7.49
Other Operating Data		
Credit Sales - % of Total Gross Sales	64.51%	22.31%
Consumer Sales - % of Total Gross Sales	35.49%	77.69%
Selling Area - Square Feet	11,836	15,470
Sales Per Square Foot - Selling Area	$472.04	$214.09
Total Area - Square Feet	40,319	45,533
Sales Per Square Foot - Total Area	$140.33	$73.77
Sales Per Person Employed	$165,958	$126,049
Sales Per Customer	$89.49	$29.83

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Figures may not add to totals indicated due to rounding.

Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory and space occupied by major departments found in home centers.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Bottom Line Report shows 90.0% of the stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other home centers which also carry that department.

The Bottom Line also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report -- only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a home center carries only four departments -- Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Bottom Line indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	50.0%

The total of these percents equals 95.0. Now divide the total (95.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{95.0} = 15.8\%$
Hand Tools	$\frac{10.0}{95.0} = 10.5\%$
Paint & Home Decorating	$\frac{20.0}{95.0} = 21.1\%$
Building Materials	$\frac{50.0}{95.0} = 52.6\%$

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example is 1.92 which means $1.92 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of selling area. Individual home center operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

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Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	8.4	14.7	10.1	145.91	8.4	14.7	10.1
Hand Tools	100.0	2.7	4.2	3.4	124.13	2.6	3.9	3.2
Power Tools & Accessories	100.0	3.0	3.7	4.5	241.37	2.7	3.4	4.1
Plumbing, Heating & Cooling	100.0	7.7	9.9	8.9	144.19	7.6	9.9	8.6
Electrical Supplies	100.0	4.7	6.6	6.5	155.94	4.7	6.6	6.5
Paint & Home Decorating	100.0	8.5	11.8	8.1	169.53	8.5	11.8	8.1
Lumber	100.0	26.1	15.0	22.7	499.55	25.4	15.0	22.1
Building Materials	92.0	24.9	15.9	22.3	347.72	22.3	14.9	19.8
Lawn & Garden	90.8	5.7	7.1	5.7	165.18	5.4	6.8	5.4
Housewares	56.3	2.6	3.9	3.4	111.97	1.5	2.3	1.9
Automotive Supplies	46.0	1.5	1.5	1.0	123.21	.7	.8	.4
Major Appliances & Home Entertainment	20.7	6.2	8.5	14.1	NA	1.4	1.3	2.3
Sporting Goods & Outdoor Living	35.6	2.1	3.9	2.4	81.13	.8	1.5	1.2
Miscellaneous Goods	81.6	9.4	8.7	6.9	166.17	8.0	7.1	6.3
						100.0	100.0	100.0

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	41.4	6.1	2.53
Hand Tools	34.9	5.2	1.81
Power Tools & Accessories	29.6	4.2	1.24
Plumbing, Heating & Cooling	37.5	5.1	1.91
Electrical Supplies	37.3	5.1	1.90
Paint & Home Decorating	36.7	6.9	2.53
Lumber	25.1	9.9	2.48
Building Materials	29.3	7.5	2.20
Lawn & Garden	33.5	7.6	2.55
Housewares	35.4	3.0	1.06
Automotive Supplies	32.8	4.6	1.51
Major Appliances & Home Entertainment	23.1	5.7	1.32
Sporting Goods & Outdoor Living	31.3	7.2	2.25
Miscellaneous Goods	33.5	7.9	2.65

Definition of Terms

Income Statement Data -- The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Management Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume -- The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions -- Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold -- Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend -- The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend -- Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the retailer.

Salaries -- Owners/Officers/Managers -- The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages -- Other Employees -- The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes -- Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance -- All premiums paid to insured employees for health and accident protection.

Benefit Plans -- The employers' share of cost for employee welfare/benefit plans -- life insurance, retirement, education, etc.

Heat, Light, Power and Water -- All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance -- All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) -- All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage -- The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate -- Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion -- Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations -- All gifts given from the business operation to charity.

Telephone and Telegraph -- For expenses incurred in the operation of the business.

Bad Debts -- Uncollectable debts.

Delivery Expenses (Other than Wages) -- All expenses incurred in the operation of delivery equipment: gas, tires, etc.

Insurance -- Premiums paid to insure all assets against fire, theft, etc.

Taxes -- All taxes on stock, fixtures, delivery equipment, etc.

Depreciation -- All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense -- Bank charges for processing credit card sales.

Interest -- The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies -- The costs of all supplies used in the operation of the store.

Legal and Accounting -- The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services -- Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions -- Fees for memberships and subscriptions, and expenses for employee training.

Travel and Entertainment -- All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services -- All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified -- All expenses not classified under other headings.

Net Operating Profit -- Return on sales before other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income -- Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) -- The net return from the operation of the business.

Balance Sheet -- The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets -- Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year -- all prepaid expenses.

Investments -- Assets with a long term life such as stocks and bonds or real estate which is not needed to operate a business.

Fixed Assets -- Assets with a long-term life which are needed to carry out a firm's normal business activities. The Management Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities -- All debts which are due within one year -- accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities -- All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth -- Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements -- the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times."
- Measures the ability to pay short term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times."
- Measure the ability to pay Current Debts form Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times."
- Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- Computed by dividing Net Sales by Average Inventory; expressed in "times."
- Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Square Foot of Sales Area
- Computed by dividing Average Inventory by Square feet of Sales Area; expressed in dollar value of inventory at cost.
- A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- Computed by dividing Net Sales by Accounts Receivable; expressed in "times."
- Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- Computed by dividing Net Sales by Total Assets; expressed in "times."
- Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- Computed by dividing Net Sales by Tangible Net Worth; expressed in "times."
- Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times."
- Measures the demand on working capital to support the sales volume.

Sales Per Square Foot -- Selling Area
- Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- Measures sales productivity.

Sales Per Square Foot - Total Area
- Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory -- (GMROI)
- Computed by taking gross margin percentage times sales to inventory ratio.
- Considers both margin and turnover.
- Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested inventory.

Leading Publicly-Held Companies

Income Statement Data	Grossman's	Home Depot	Lowe's	NHD Stores	Hechinger	Wolohan
Number of Outlets	155	145	309	35	120	50
Net Sales Volume[1] (millions)	$812.5	$3,815.0	$2,833.0	$55.9	$1,392.0	$295.6
Net Sales	100.00%	100.00%	100.0%	100.00%	100.00%	100.00%
Cost of Goods Sold	72.4	72.1	75.2	92.6	74.5	72.5
Gross Margin	27.6	27.9	24.8	7.4	25.5	27.5
Expense						
Selling/General/Administrative	26.3	20.9	20.7	4.8	22.6	19.5
Depreciation	1.4	---	1.8	2.4	---	1.9
Interest	---	---	0.6	1.5	0.9	0.8
Total Expenses	27.7	20.9	23.1	8.7	23.5	22.2
Net Operating Income	-0.1	7.0	3.5	-1.3	2.0	5.3
Balance Sheet Data						
Total Dollar Assets (millions)	$ 318.5	$1,639.0	$1,203.0	$22.9	$792.8	$123.2
Current Assets						
Cash	12.0	8.4	4.1	2.3	6.3	23.2
Accounts Receivable	10.7	3.0	8.0	0.5	9.9	11.8
Inventory	37.5	31.0	38.3	72.6	34.3	22.5
Other Current Assets	1.6	1.1	0.8	4.7	2.3	1.4
Total Current Assets	61.8	43.5	51.2	80.1	52.8	58.9
Fixed Assets						
Land, Building, Lease, etc.	36.8	47.4	42.6	11.4	25.1	44.1
Furniture, Fixtures, Equipment	14.8	11.3	21.9	26.6	17.5	18.7
Depreciation	-14.1	-5.1	-19.5	-22.1	-12.4	-22.8
Other Fixed Assets	0.7	2.9	3.8	4.0	17.0	1.1
Total Fixed Assets	38.2	56.5	48.8	19.9	47.2	41.1
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities						
Notes Payable	9.3	0.1	5.4	2.7	0.2	1.0
Accounts Payable	33.0	14.3	15.5	20.7	18.4	10.6
Other Current Liabilities	0.6	10.7	7.2	5.6	---	8.2
Total Current Liabilities	42.9	25.1	28.1	29.0	18.6	19.8
Long Term Liabilities	22.7	33.2	15.2	33.6	28.7	21.4
Total Liabilities	65.6	58.3	43.3	62.6	47.3	41.2
Net Worth	34.4	41.7	56.7	37.4	52.7	58.8
Liabilities and Net Worth	100.00%	100.00%	100.0%	100.00%	100.00%	100.00%
Financial Performance						
Gross Margin Return on Investment	$1.88	$2.09	$1.52	$0.29	$1.31	$2.93
Net Profit (Before Tax) to Net Sales	0.00%	6.81%	3.54%	-1.25%	2.00%	5.32%
Net Profit (Before Tax) to Net Worth	0.00%	38.06%	14.64%	-8.17%	6.69%	21.71%
Total Assets to Net Worth	2.91x	2.40x	1.76x	2.67x	1.90x	1.70x
Net Sales to Total Assets	2.55x	2.33x	2.35x	2.45x	1.76x	2.40x
Net Sales to Inventory	6.80x	7.50x	6.15x	3.37x	5.13x	10.67x
Other Operating Data						
Average Size of Selling Area	30,439	91,572	22,854	NA	53,100	25,760
Sales Per Square Foot -- Selling Area	$172.22	$287.34	$429.00	NA	$218.49	$229.48
Inventory Per Square Foot	$25.33	$38.34	$69.80	NA	$42.61	$21.51
Sales Per Person Employed	$156,247	$177,458	$182,123	$86,585	NA	$179,133
Sales Per Customer	NA	$33.92	$52.33	NA	NA	NA

[1] Exclusive of Interest Income on Other Income

[2] Reflects the sale of 59 Moore's outlets and 28 stores comprising the Northwest division.

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91 PROFIT REPORT

ETAILED COST-OF-DOING BUSINESS DATA FOR D-I-Y LUMBER OUTLETS

Price:

$25.00 Member
$50.00 Non-Member

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NRHA
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Introduction

The **National Retail Hardware Association** and **Home Center Institute** annually publishes detailed financial operating reports for three types of do-it-yourself retailers. Studies which are available are the Management Report for hardware stores, the Bottom Line report for home centers, and the Profit Report for retail lumber outlets.

THE PROFIT REPORT

The 1991 Profit Report outlines financial operating data for retail oriented lumber and building materials dealers. To be included, a lumber/building materials outlet must actively pursue and derive a portion of sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The report is designed to:

- Assess financial performance of retail lumber/building materials operations in 1990.
- Provide comparative financial data to allow retailers the opportunity to measure their performance against industry standards.
- Provide a benchmark for profit planning enabling lumber/building materials retailers to improve performance levels on a continuing basis.

Additionally, the report provides an accurate and valid means for manufacturers, wholesalers, and other interested parties to gain a better understanding of the retail lumber/building materials industry.

Four Major Sections

The Profit Report is divided into four major sections: Historical Trends from 1986 through 1990; The Strategic Profit Model; Average Operating Results for 1990; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries

Historical Trends provides income statement and balance sheet data for 1990 and the four previous Profit Reports, 1986-1989. This section also includes performance of individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and overall financial performance. Income statement items are presented as a percentage of net sales and balance sheet items appear as a percentage of total assets.

Departmental Information is based on the percent of contributing stores stocking and promoting (handling) major departments found in retail lumber/building materials outlets. The percent of net sales, sales floor and inventory are outlined for both handling firms only and for an average outlet. Departmental productivity is compared by determining the gross margin return on inventory investment for each department.

Type of Outlet

A variety of factors influence the cost of doing business for any lumber/building materials outlet. Therefore, report data are presented by various outlet characteristics for comparison. Information contained in Average Operating Results is presented for the following store characteristics:

- All Outlets
- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Outlet Location
- Geographical Region
- Number of Stores
- Outlet Orientation

Methodology

The Profit Report is made possible only through the cooperation of the lumber/building materials operators who provided NRHA/HCI with detailed financial information on their individual stores. Questionnaires were mailed in February, 1991 and three hundred and eighteen usable returns were received by May, 1991 for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Research Services Staff. Forms were coded for computer processing and all identification was removed. The data was keypunched and then processed by an independent data processing firm.

As thanks for participation in this project, each contributing lumber/building materials operator was provided a personalized computer analysis. This analysis compares each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the average for the entire sample.

For Assistance

Assistance and aid in interpreting the 1991 Profit Report may be obtained from your regional hardware association or the National Retail Hardware Association/Home Center Institute, 5822 West 74th Street, Indianapolis, Indiana 46278 or phone (317) 290-0338.

Historical Trends

Income Statement Data	All Retail Lumber Outlets FISCAL YEAR 1990	1989	1988	1987	1986
Net Sales Volume	$2,545,394	$2,743,691	$2,838,950	$2,776,269	$1,993,028
Gross Sales	102.50%	102.25%	103.77	102.24%	102.41%
Less: Total Deductions	2.50	2.25	3.77	2.24	2.41
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.94	74.86	75.09	75.19	74.31
Margin Before Purchase Rebate or Patronage Dividend	25.06	25.14	24.91	24.81	25.69
Purchase Rebate or Patronage Dividend	.17	.19	.15	.11	.14
Margin After Purchase Rebate or Patronage Dividend	25.23	25.32	25.06	24.92	25.83
Payroll and Other Employee Expense					
Salaries -- Owners/Officers/Managers	2.13	2.39	2.65	2.66	2.87
Salaries/Wages -- Other Employees	10.14	9.84	9.22	8.94	9.57
Federal and State Payroll Taxes	1.17	1.05	.94	1.02	1.08
Group Insurance	.76	.68	.54	.38	.44
Benefit Plans	.37	.49	.46	.71	.68
Total Payroll and Other Employee Expense	14.58	14.45	13.81	13.71	14.65
Occupancy Expense					
Heat, Light, Power, Water	.42	.36	.34	.37	.48
Building Repairs and Maintenance	.39	.29	.26	.27	.22
Rent or Ownership in Real Estate*	1.84	1.63	1.43	1.47	1.58
Total Occupancy Expense	2.65	2.28	2.04	2.12	2.28
Other Costs of Doing Business					
Advertising and Promotion	1.00	.88	.89	.88	1.09
Insurance (Other than Real Estate and Group)	.65	.73	.83	.72	.64
Taxes (Other than Real Estate and Payroll)	.25	.33	.29	.32	.34
Interest (Other than Real Estate)	1.03	1.10	1.07	.88	.96
Depreciation (Other than Real Estate)	.85	.77	.81	.74	.72
All Other Expenses	3.87	3.66	3.75	3.73	3.56
Total Other Costs of Doing Business	7.66	7.47	7.64	7.26	7.31
Total Operating Expenses	24.89	24.20	23.48	23.09	24.24
Operating Profit or Loss	.34	1.12	1.58	1.83	1.60
Other Income	1.69	1.82	1.43	2.05	1.71
Net Operating Profit or Loss (Before Income Taxes)	2.03	2.94	3.01	3.88	3.31
Financial Performance					
Profit on Investment	9.27%	13.40%	14.85%	19.20%	15.60%
Active Owner's Return	19.02%	24.32%	27.89%	32.38%	29.15%
Current Asset Ratio	2.78x	2.67x	2.49x	2.57x	2.96x
Quick Asset Ratio	1.31x	1.31x	1.28x	1.31x	1.42x
Total Debt to Tangible Net Worth	78.24%	78.17%	99.72%	90.25%	82.93%
Stock Turn Times	5.07x	5.12x	5.24x	5.30x	4.73x
Sales to Inventory Ratio	6.77x	6.84x	6.98x	7.05x	6.36x
Average Inventory per Sq. Ft. Sales Area	$58.66	$75.64	$76.01	$69.86	$56.57
Net Sales to Accounts Receivable	10.62x	9.09x	8.44x	8.78x	10.70x
Net Sales to Total Assets	2.56x	2.56x	2.47x	2.60x	2.58x
Net Sales to Net Worth	4.57x	4.56x	4.93x	4.95x	4.72x
Net Sales to Net Working Capital	5.59x	5.48x	5.34x	3.57x	3.41x
Other Operating Data					
Credit Sales -- % of Total Gross Sales	76.86%	79.21%	78.91%	75.53%	71.16%
Consumer Sales -- % of Total Gross Sales	23.14%	20.79%	21.09%	34.97%	40.61%
Selling Area -- Square Feet	6,913	5,151	5,367	5,650	5,341
Sales Per Square Foot -- Selling Area	$409.82	$514.37	$536.15	$424.96	$347.23
Total Area -- Square Feet	28,582	23,715	24,983	22,941	20,243
Sales Per Square Foot -- Total Area	$91.66	$114.27	$115.11	$102.51	$87.28
Sales Per Person Employed	$161,005	$167,937	$172,243	$165,055	$144,238
Sales Per Customer	$68.70	$84.25	$82.06	$58.14	$59.22

* Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated due to rounding.

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Historical Trends

Department	Percent Of Net Sales*					Sales Per Square Foot				
	1990	1989	1988	1987	1986	1990	1989	1988	1987	1986
Hardware	7.0%	7.4%	8.2%	6.2%	5.4%	$116.26	$148.32	$163.08	$153.92	$129.61
Hand Tools	2.3	2.2	2.5	2.1	1.7	119.44	144.15	144.01	114.52	126.80
Power Tools & Accessories	1.7	1.9	2.1	2.2	1.4	135.09	212.40	169.82	129.51	139.12
Plumbing, Heating & Cooling	3.9	3.6	3.6	2.1	2.4	138.02	202.16	148.83	155.44	131.30
Electrical Supplies	2.4	2.3	2.3	2.3	1.6	105.28	166.42	137.01	146.02	138.15
Paint & Home Decorating	4.8	5.9	6.2	5.8	5.6	138.96	191.60	204.00	173.02	136.64
Lumber	37.5	36.3	35.6	44.9	39.7	1,706.69	1,045.38	997.80	1,113.03	1,237.46
Building Materials	34.4	33.5	32.0	25.4	38.3	985.16	980.01	775.08	505.66	833.91
Lawn & Garden	1.4	1.3	1.7	1.3	1.0	203.45	229.72	198.24	186.86	172.61
Housewares	.4	.7	.4	.2	.3	154.89	144.80	121.38	75.25	94.52
Automotive Supplies	.2	.2	.2	.1	.1	111.35	170.75	130.66	137.83	98.65
Major Appliances & Home Entertainment	.5	.1	.2	.9	.1	164.33	92.40	136.23	284.40	81.24
Sporting Goods & Outdoor Living	.2	.1	.3	.1	.1	294.44	145.25	148.29	149.92	NA
Miscellaneous Goods	3.4	4.5	4.6	6.5	2.3	102.62	735.30	473.71	1,099.17	207.68

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1990	1989	1988	1987	1986	1990	1989	1988	1987	1986
Hardware	4.5x	4.3x	5.6x	5.1x	4.3x	$1.83	$1.59	$2.22	$1.90	$1.66
Hand Tools	4.1	4.1	5.3	5.0	4.2	1.45	1.42	1.95	1.73	1.48
Power Tools & Accessories	3.4	3.3	3.7	4.9	3.7	.94	.92	.99	1.48	1.19
Plumbing, Heating & Cooling	4.0	4.4	5.4	3.8	3.5	1.52	1.55	2.12	1.32	1.24
Electrical Supplies	3.7	4.0	5.2	4.7	4.0	1.37	1.39	2.02	1.64	1.49
Paint & Home Decorating	4.2	5.1	5.1	4.7	4.4	1.52	1.73	1.89	1.65	1.52
Lumber	8.7	7.5	7.9	6.5	8.8	2.09	1.79	2.01	1.61	2.05
Building Materials	7.8	7.0	8.1	6.5	8.2	2.14	1.74	2.17	1.71	2.21
Lawn & Garden	4.5	4.6	5.7	5.4	5.0	1.49	1.41	1.91	1.67	1.58
Housewares	7.4	4.2	3.5	3.1	2.0	2.49	1.40	1.24	1.04	.56
Automotive Supplies	6.4	8.1	6.8	3.8	5.1	2.18	2.69	2.48	1.34	1.37
Major Appliances & Home Entertainment	NA	2.6	1.7	5.3	3.0	NA	NA	.54	.90	.39
Sporting Goods & Outdoor Living	NA	5.0	6.4	7.2	2.9	NA	1.40	2.08	2.37	.91
Miscellaneous Goods	5.5	6.1	6.3	7.0	8.8	1.80	1.95	1.90	2.14	2.78

* Average DIY Lumber Outlet

Monthly Sales

Month	1990	1989	1988	1987	1986
January	6.3%	6.4%	5.4%	5.9%	5.7%
February	6.1	5.5	5.8	6.0	5.1
March	7.8	6.7	7.3	7.0	6.3
April	8.6	8.0	8.4	8.3	8.3
May	9.8	9.4	9.4	9.0	9.5
June	9.9	10.0	10.3	10.1	9.3
July	9.8	9.6	9.7	10.3	10.1
August	10.1	10.3	9.7	9.8	10.0
September	8.7	9.4	9.4	9.7	10.1
October	9.1	9.7	9.2	9.4	10.3
November	7.8	8.4	8.1	7.7	8.2
December	6.2	6.6	7.3	6.8	7.1

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building materials retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria -- Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales -- Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold -- Improve Gross Margin through variable pricing, inventory control, etc.

Expenses -- Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory -- Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable -- Review status of accounts. If excessively high without the use of a finance charge, customers are operating on the firm's money.

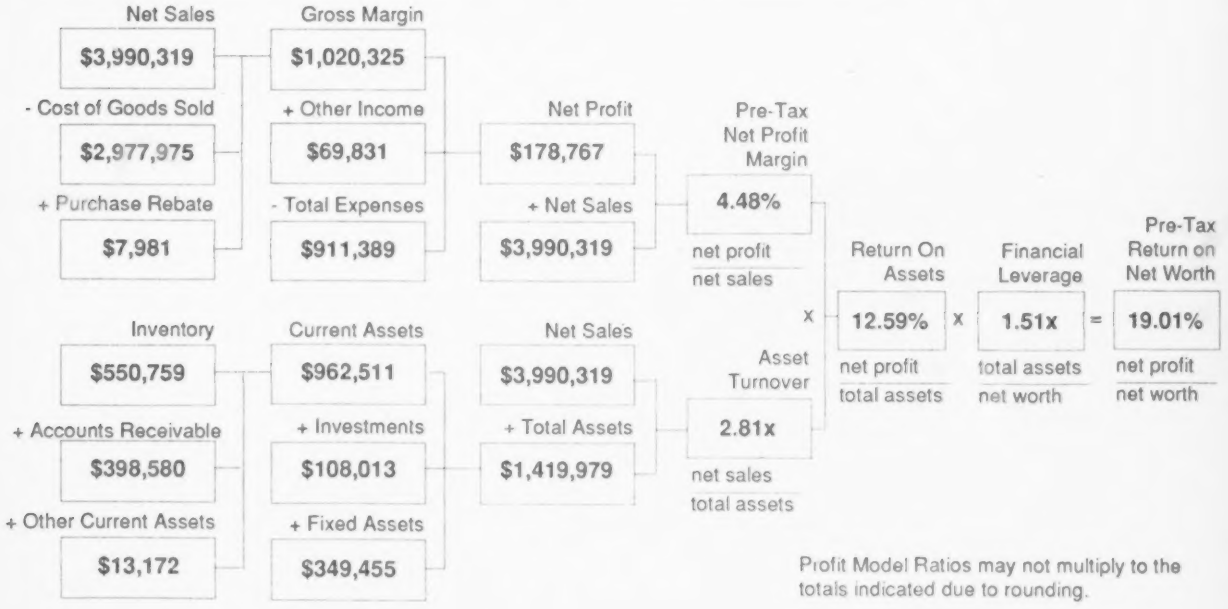
Fixed Assets -- Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner/supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High Profit Lumber Outlets



Profit Model Ratios may not multiply to the totals indicated due to rounding.

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1990 Highlights

Type Of Retail Lumber Outlet	1990 Net Sales ($)	Sales Increase Over 1989* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Retail Lumber Outlets	2,545,394	+2.80	25.23	2.03	9.27	5.07
Low Profit	2,541,857	+0.25	24.13	-1.73	-9.09	5.17
High Profit	3,990,319	+5.25	25.57	4.48	19.05	5.38
Sales Volume Size						
Under $1,000,000	664,251	-0.09	25.47	-0.24	-1.04	3.45
$1,000,000 to $1,999,999	1,413,144	+3.23	27.59	4.02	13.79	3.99
$2,000,000 to $2,999,999	2,405,808	+6.20	24.80	0.25	1.12	4.88
$3,000,000 or more	5,357,217	+1.09	24.55	2.33	12.23	5.96
Sales Floor Size						
Under 3,000 Sq. Ft.	1,661,648	+1.78	27.12	3.55	14.25	4.71
3,000 to 4,999 Sq. Ft.	2,790,691	-2.58	24.15	1.78	10.03	5.30
5,000 to 6,999	3,088,802	+3.03	24.86	1.68	8.59	5.89
7,000 or more	3,317,764	+4.98	25.23	1.61	7.54	5.12
Trade Area Size						
M.S.A. - Central City	2,741,819	+5.83	24.91	0.95	4.24	5.04
M.S.A. - Suburban	3,667,173	+3.91	24.64	2.28	8.95	5.36
Cities - 10,000 to 50,000	2,602,299	+0.39	25.23	2.17	9.37	5.36
Towns Under 10,000	2,054,541	+2.30	25.75	2.85	15.02	4.67
Outlet Location: Part I						
Downtown	1,899,804	+1.49	26.09	3.17	12.00	4.91
Suburban	3,412,004	+1.67	25.23	2.42	12.25	5.32
Rural	2,135,390	+4.87	24.48	0.20	0.84	4.79
Outlet Location: Part II						
Shopping Centers	4,751,757	+1.33	22.70	4.01	21.08	6.88
Free-Standing No Stores Adjacent	2,618,672	-0.29	25.31	1.57	8.73	5.06
Free-Standing Stores Nearby	2,463,395	+4.62	25.34	2.19	8.80	5.03
Number of Outlets						
Single Store	2,384,540	+2.92	26.12	2.34	12.10	5.16
Multiple Stores	2,702,251	+2.71	24.46	1.76	7.32	5.00
Outlet Orientation						
Contractor-Oriented	2,701,498	+2.87	24.99	1.98	8.83	5.25
Consumer-Oriented	2,138,978	+2.96	26.41	2.34	11.73	4.53

* As reported by Profit Report contributors

1990 Monthly Sales

	%		%		%
January	6.3	May	9.8	September	8.7
February	6.1	June	9.9	October	9.1
March	7.8	July	9.8	November	7.8
April	8.6	August	10.1	December	6.2

All Outlets

Income Statement Data	All Retail Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Number of Outlets	318	80	82
Net Sales Volume	$2,545,394	$2,541,857	$3,990,319
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	2.80%	.25%	5.25%
Gross Sales	102.50%	104.22%	102.15%
Less: Total Deductions	2.50	4.22	2.15
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.94	75.88	74.63
Margin Before Purchase Rebate or Patronage Dividend	25.06	24.12	25.37
Purchase Rebate or Patronage Dividend	.17	.01	.20
Margin After Purchase Rebate or Patronage Dividend	25.23	24.13	25.57
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	2.13	1.14	2.37
Salaries/Wages - Other Employees	10.14	12.00	8.92
Federal and State Payroll Taxes	1.17	1.46	1.08
Group Insurance	.76	.91	.74
Benefit Plans	.37	.11	.45
Total Payroll and Other Employee Expense	14.58	15.62	13.55
Occupancy Expense			
Heat, Light, Power, Water	.42	.51	.38
Building Repairs and Maintenance	.39	.23	.41
Rent or Ownership in Real Estate**	1.84	2.16	1.56
Total Occupancy Expense	2.65	2.90	2.34
Other Costs of Doing Business			
Office Supplies and Postage	.41	.56	.32
Advertising and Promotion	1.00	.99	.85
Donations	.06	.04	.07
Telephone and Telegraph	.30	.38	.24
Bad Debts	.38	.15	.42
Credit Card Expense (Bank Charges)	.05	.07	.06
Delivery Expenses (Other than Wages)	1.00	1.26	1.01
Leasing Expenses (Non-Occupancy)	.07	.17	.05
Insurance (Other than Real Estate and Group)	.65	.55	.59
Taxes (Other than Real Estate and Payroll)	.25	.32	.18
Interest (Other than Real Estate)	1.03	1.26	.98
Depreciation (Other than Real Estate)	.85	1.23	.68
Store and Shop Supplies	.17	.10	.23
Legal and Accounting	.30	.31	.29
Computer Services and Expenses (Other than Wages)	.18	.32	.14
Dues and Subscriptions	.07	.05	.07
Travel, Buying, Entertainment	.19	.22	.19
Miscellaneous Services	.06	.10	.05
Unclassified Expenses	.63	.82	.54
Total Other Costs of Doing Business	7.66	8.92	6.95
Total Operating Expenses	24.89	27.44	22.84
Operating Profit or Loss	.34	-3.32	2.73
Other Income	1.69	1.59	1.75
Net Operating Profit or Loss (Before Income Taxes)	2.03	-1.73	4.48

* As reported to NRHA/HCI by Profit Report contributors.
** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

All Outlets

Balance Sheet Data	All Retail Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Total Dollar Assets	$992,904	$991,342	$1,549,688
		% of Total Assets	
Assets			
Cash On Hand and In Bank	6.38	2.88	6.56
Notes and Installment Contracts Receivable	1.19	.55	1.80
Accounts Receivable	24.13	22.93	25.72
Merchandise Inventory - (End of Year)	37.80	37.38	35.54
Other Current Assets	2.15	4.20	.85
Total Current Assets	71.65	67.94	70.47
Stocks and Bonds	1.32	.50	1.56
Real Estate (Not Used In Business)	1.41	2.89	1.31
Other Investments	5.59	8.26	4.10
Total Investments	8.32	11.64	6.97
Land (Owned and Used In Business)	3.21	4.10	3.16
Buildings (Owned and Used In Business Less Depreciation)	5.74	6.69	6.15
Leasehold Improvements (Less Amortization Allowance)	1.36	.83	1.42
Furniture, Fixtures, Equip. (Owned and Used in Bus. Less Dep[illegible].)	5.13	3.99	7.05
Delivery Equip. (Owned and Used in Business Less Deprec.)	3.19	3.79	3.03
Other Fixed Assets	1.40	1.01	1.73
Total Fixed Assets	20.04	20.41	22.55
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	11.45	12.96	10.98
Current Portion of Notes Payable	8.27	10.04	7.08
Accrued Payroll Taxes	.44	.09	.54
Accrued Other Taxes	.97	.32	1.60
Other Accrued Expenses	2.34	1.70	1.85
Other Current Liabilities	2.33	2.10	3.27
Total Current Liabilities	25.81	27.21	25.32
Notes Due Partners/Officers	2.11	2.43	1.56
Mortgage Payable	1.69	1.43	.93
Long Term Debt	12.60	15.28	11.47
Other Long Term Liabilities	1.68	4.90	.18
Total Long Term Liabilities	18.09	24.04	14.14
Total Liabilities	43.89	51.25	39.45
Net Worth	56.11	48.75	60.55
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	9.27%	-9.09%	19.05%
Active Owner's Return	19.02%	-3.11%	29.11%
Current Asset Ratio	2.78	2.50	[illegible]
Quick Asset Ratio	1.31	1.12	[illegible]
Total Debt to Tangible Net Worth	78.24%	105.14%	65.16%
Stock Turn Times	5.07	5.17	5.38
Sales to Inventory Ratio	6.77	6.81	7.22
Average Inventory per Sq. Ft. Sales Area	$58.66	$38.87	$82.59
Net Sales to Accounts Receivable	10.62	11.18	10.01
Net Sales to Total Assets	2.56	2.56	2.57
Net Sales to Net Worth	4.57	5.26	4.25
Net Sales to Net Working Capital	5.59	6.29	5.70
Other Operating Data			
Credit Sales - % of Total Gross Sales	76.86%	73.49%	81.49%
Consumer Sales - % of Total Gross Sales	23.14%	26.51%	18.51%
Selling Area - Square Feet	6,913	9,729	6,927
Sales Per Square Foot - Selling Area	$409.82	$266.93	$602.99
Total Area - Square Feet	28,582	32,906	29,786
Sales Per Square Foot - Total Area	$91.66	$68.57	$134.73
Sales Per Person Employed	$161,005	$142,042	$184,922
Sales Per Customer	$68.70	$88.82	$117.79

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding

Sales Volume Size

Income Statement Data	Sales Under $1,000,000	$1,000,000 To $1,999,999	$2,000,000 To $2,999,999	Sales $3,000,000 Or More
Number of Outlets	44	110	86	78
Net Sales Volume	$664,251	$1,413,144	$2,405,808	$5,357,217
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	-.09%	3.23%	6.20%	1.09%
Gross Sales	101.71%	101.72%	103.52%	102.34%
Less: Total Deductions	1.71	1.72	3.52	2.34
Net sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.81	72.74	75.27	75.60
Margin Before Purchase Rebate or Patronage Dividend	25.19	27.26	24.73	24.40
Purchase Rebate or Patronage Dividend	.28	.33	.07	.16
Margin After Purchase Rebate or Patronage Dividend	25.47	27.59	24.80	24.55
Payroll and Other Employee Expense				
Salaries - Owners/Officers/Managers	3.85	2.05	1.43	2.39
Salaries/Wages - Other Employees	9.12	11.18	11.07	9.37
Federal and State Payroll Taxes	1.28	1.14	1.37	1.08
Group Insurance	.73	.63	.81	.80
Benefit Plans	.18	.66	.24	.34
Total Payroll and Other Employee Expense	15.16	15.67	14.91	13.97
Occupancy Expense				
Heat, Light, Power, Water	.62	.45	.49	.36
Building Repairs and Maintenance	.36	.44	.29	.43
Rent or Ownership in Real Estate**	2.51	1.91	1.90	1.75
Total Occupancy Expense	3.48	2.80	2.68	2.53
Other Costs of Doing Business				
Office Supplies and Postage	.43	.48	.54	.32
Advertising and Promotion	1.13	1.19	1.15	.85
Donations	.05	.06	.03	.08
Telephone and Telegraph	.43	.32	.36	.25
Bad Debts	.42	.49	.14	.45
Credit Card Expense (Bank Charges)	.09	.03	.08	.05
Delivery Expenses (Other than Wages)	.77	.88	1.21	.96
Leasing Expenses (Non-Occupancy)	.05	.06	.16	.04
Insurance (Other than Real Estate and Group)	.97	.82	.55	.62
Taxes (Other than Real Estate and Payroll)	.60	.29	.27	.21
Interest (Other than Real Estate)	1.09	.94	1.18	.99
Depreciation (Other than Real Estate)	.71	.70	1.17	.76
Store and Shop Supplies	.20	.10	.07	.24
Legal and Accounting	.41	.31	.22	.32
Computer Services and Expenses (Other than Wages)	.17	.08	.27	.18
Dues and Subscriptions	.10	.06	.05	.08
Travel, Buying, Entertainment	.15	.15	.21	.20
Miscellaneous Services	.08	.02	.09	.05
Unclassified Expenses	1.08	.68	.79	.50
Total Other Costs of Doing Business	8.92	7.66	8.54	7.13
Total Operating Expenses	27.56	26.12	26.13	23.63
Operating Profit or Loss	-2.09	1.46	-1.33	.92
Other Income	1.86	2.55	1.58	1.41
Net Operating Profit or Loss (Before Income Taxes)	-.24	4.02	.25	2.33

* As reported to NRHA/HCI by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

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Sales Volume Size

Balance Sheet Data	Sales Under $1,000,000	$1,000,000 To $1,999,999	$2,000,000 To $2,999,999	Sales $3,000,000 Or More
Total Dollar Assets	$327,471	$643,008	$976,415	$1,879,901
		% of Total Assets		
Assets				
Cash On Hand and In Bank	10.24	11.89	3.40	5.04
Notes and Installment Contracts Receivable	2.41	2.10	.63	.96
Accounts Receivable	18.36	19.46	20.62	28.95
Merchandise Inventory - (End of Year)	44.21	39.89	38.19	35.94
Other Current Assets	.89	2.33	3.75	1.26
Total Current Assets	76.11	75.68	66.58	72.16
Stocks and Bonds	1.69	2.45	.85	1.01
Real Estate (Not Used In Business)	.12	1.50	3.09	.52
Other Investments	4.51	4.73	9.71	3.75
Total Investments	6.32	8.68	13.65	5.29
Land (Owned and Used In Business)	3.02	3.44	3.92	2.72
Buildings (Owned and Used In Bus. Less Deprec.)	6.68	3.11	7.24	6.06
Leasehold Improvements (Less Amortization Allowance)	1.64	1.96	.41	1.59
Furn., Fix., Equip. (Owned and Used in Bus. Less Depre.)	3.08	3.19	4.03	6.91
Delivery Equip. (Owned and Used in Bus. Less Deprec.)	2.55	2.93	3.56	3.16
Other Fixed Assets	.60	1.02	.61	2.12
Total Fixed Assets	17.57	15.64	19.77	22.55
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities and Net Worth				
Accounts Payable	8.40	7.36	10.65	14.17
Current Portion of Notes Payable	10.18	5.72	8.20	9.36
Accrued Payroll Taxes	.40	.90	.14	.39
Accrued Other Taxes	.85	.68	.42	1.45
Other Accrued Expenses	.78	3.80	1.71	2.16
Other Current Liabilities	1.78	.63	1.22	3.84
Total Current Liabilities	22.40	19.09	22.33	31.37
Notes Due Partners/Officers	4.71	1.59	1.02	2.73
Mortgage Payable	7.14	.71	1.91	1.51
Long erm Debt	10.40	13.18	17.28	9.86
Other Long Term Liabilities	8.86	1.42	3.33	.17
Total Long Term Liabilities	31.10	16.90	23.54	14.26
Total Liabilities	53.51	35.99	45.88	45.63
Net Worth	46.49	64.01	54.12	54.37
Total Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	-1.04%	13.79%	1.12%	12.23%
Active Owner's Return	15.76%	20.84%	7.64%	24.76%
Current Asset Ratio	3.40	3.96	2.98	2.30
Quick Asset Ratio	1.42	1.87	1.27	1.15
Total Debt to Tangible Net Worth	115.08%	56.21%	84.76%	83.93%
Stock Turn Times	3.45	3.99	4.88	5.96
Sales to Inventory Ratio	4.61	5.48	6.49	7.88
Average Inventory per Sq. Ft. Sales Area	$42.09	$65.12	$37.72	$88.33
Net Sales to Accounts Receivable	11.05	11.29	11.95	9.84
Net Sales to Total Assets	2.03	2.20	2.46	2.85
Net Sales to Net Worth	4.36	3.43	4.55	5.24
Net Sales to Net Working Capital	3.78	3.88	5.57	6.99
Other Operating Data				
Credit Sales - % of Total Gross Sales	79.16%	71.50%	70.14%	84.54%
Consumer Sales - % of Total Gross Sales	20.84%	28.50%	29.86%	15.46%
Selling Area - Square Feet	3,356	4,065	9,854	7,719
Sales Per Square Foot - Selling Area	$194.56	$370.22	$244.87	$699.02
Total Area - Square Feet	15,443	21,991	33,677	35,465
Sales Per Square Foot - Total Area	$41.39	$68.76	$71.21	$142.16
Sales Per Person Employed	$113,172	$147,982	$133,585	$191,458
Sales Per Customer	$29.42	$55.27	$64.50	$127.00

Figures may not add to totals indicated due to rounding.

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 6,999 Sq. Ft.	Sales Area 7,000 Sq. Ft. Or More
Number of Outlets	54	44	48	109
Net Sales Volume	$1,661,648	$2,790,691	$3,088,802	$3,317,764
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	1.78%	-2.58%	3.03%	4.98%
Gross Sales	101.77%	103.34%	102.84%	102.54%
Less: Total Deductions	1.77	3.34	2.84	2.54
Net sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	72.93	75.95	75.38	74.92
Margin Before Purchase Rebate or Patronage Dividend	27.07	24.05	24.62	25.08
Purchase Rebate or Patronage Dividend	.05	.10	.23	.15
Margin After Purchase Rebate or Patronage Dividend	27.12	24.15	24.86	25.23
Payroll and Other Employee Expense				
Salaries - Owners/Officers/Managers	3.24	2.09	2.81	1.86
Salaries/Wages - Other Employees	9.82	10.04	9.12	10.37
Federal and State Payroll Taxes	1.12	1.26	.98	.25
Group Insurance	1.05	.88	.93	.69
Benefit Plans	.45	.31	.32	.27
Total Payroll and Other Employee Expense	15.68	14.57	14.15	14.43
Occupancy Expense				
Heat, Light, Power, Water	.35	.34	.33	.49
Building Repairs and Maintenance	.56	.31	.55	.33
Rent or Ownership in Real Estate**	1.77	1.87	1.76	1.92
Total Occupancy Expense	2.68	2.51	2.63	2.75
Other Costs of Doing Business				
Office Supplies and Postage	.30	.36	.41	.44
Advertising and Promotion	.88	.70	1.07	1.02
Donations	.09	.08	.05	.05
Telephone and Telegraph	.29	.26	.27	.32
Bad Debts	.39	.21	.68	.25
Credit Card Expense (Bank Charges)	.04	.04	.04	.07
Delivery Expenses (Other than Wages)	.69	.98	1.16	1.04
Leasing Expenses (Non-Occupancy)	.04	.06	.04	.11
Insurance (Other than Real Estate and Group)	.79	.82	.54	.60
Taxes (Other than Real Estate and Payroll)	.32	.40	.20	.20
Interest (Other than Real Estate)	.82	1.12	1.18	1.03
Depreciation (Other than Real Estate)	.77	.70	.86	1.02
Store and Shop Supplies	.19	.16	.21	.18
Legal and Accounting	.33	.35	.34	.24
Computer Services and Expenses (Other than Wages)	.17	.24	.10	.24
Dues and Subscriptions	.10	.08	.07	.07
Travel, Buying, Entertainment	.08	.23	.22	.20
Miscellaneous Services	.01	.02	.05	.09
Unclassified Expenses	.48	.56	.45	.66
Total Other Costs of Doing Business	6.76	7.35	7.96	7.83
Total Operating Expenses	25.12	24.43	24.74	25.01
Operating Profit or Loss	2.00	-.28	.11	.22
Other Income	1.56	2.06	1.57	1.39
Net Operating Profit or Loss (Before Income Taxes)	3.55	1.78	1.68	1.61

* As reported to NRHA/HCI by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding

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Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 6,999 Sq. Ft.	Sales Area 7,000 Sq. Ft. Or More
Total Dollar Assets	$647,467	$975,935	$1,239,903	$1,264,227
		% of Total Assets		
Assets				
Cash On Hand and In Bank	10.38	6.40	4.40	4.67
Notes and Installment Contracts Receivable	3.80	.81	.90	1.00
Accounts Receivable	23.74	26.74	30.68	21.81
Merchandise Inventory - (End of Year)	39.36	41.51	32.38	38.03
Other Current Assets	.98	2.34	3.22	1.71
Total Current Assets	78.26	77.81	71.58	67.23
Stocks and Bonds	2.11	1.05	1.24	1.18
Real Estate (Not Used In Business)	.51	.57	4.12	.57
Other Investments	5.10	3.94	3.81	7.25
Total Investments	7.71	5.56	9.18	9.00
Land (Owned and Used In Business)	3.05	1.57	2.68	3.94
Buildings (Owned and Used In Bus. Less Deprec.)	2.90	4.89	6.04	6.55
Leasehold Improvements (Less Amortization Allowance)	1.46	1.07	1.12	1.30
Furn., Fix., Equip. (Owned and Used in Bus. Less Depre.)	3.27	4.54	2.61	7.56
Delivery Equip. (Owned and Used in Bus. Less Deprec.)	2.75	3.75	3.16	3.24
Other Fixed Assets	.60	.81	3.63	1.19
Total Fixed Assets	14.03	16.63	19.24	23.77
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities and Net Worth				
Accounts Payable	8.75	12.77	13.54	12.71
Current Portion of Notes Payable	6.11	14.96	10.87	6.84
Accrued Payroll Taxes	.74	.21	.34	.27
Accrued Other Taxes	.78	1.11	1.71	.77
Other Accrued Expenses	1.43	.87	1.73	2.41
Other Current Liabilities	1.10	3.19	4.88	1.91
Total Current Liabilities	18.91	33.11	33.06	24.91
Notes Due Partners/Officers	6.55	1.94	2.46	1.47
Mortgage Payable	2.53	2.45	2.59	1.17
Long Term Debt	7.65	11.22	12.09	14.41
Other Long Term Liabilities	.41	.57	1.06	1.84
Total Long Term Liabilities	17.13	16.18	18.20	18.89
Total Liabilities	36.04	49.29	51.26	43.80
Net Worth	63.96	50.71	48.74	56.20
Total Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	14.25%	10.03%	8.59%	7.54%
Active Owner's Return	27.26%	21.79%	22.93%	16.21%
Current Asset Ratio	4.14	2.35	2.17	2.70
Quick Asset Ratio	2.06	1.10	1.19	1.17
Total Debt to Tangible Net Worth	56.34%	97.19%	105.15%	77.93%
Stock Turn Times	4.71	5.30	5.89	5.12
Sales to Inventory Ratio	6.45	6.98	7.81	6.83
Average Inventory per Sq. Ft. Sales Area	$143.14	$105.37	$70.25	$43.09
Net Sales to Accounts Receivable	10.81	10.69	8.12	12.03
Net Sales to Total Assets	2.57	2.86	2.49	2.62
Net Sales to Net Worth	4.01	5.64	5.11	4.67
Net Sales to Net Working Capital	4.32	6.40	6.47	6.20
Other Operating Data				
Credit Sales - % of Total Gross Sales	77.96%	89.56%	84.83%	70.24%
Consumer Sales - % of Total Gross Sales	22.04%	10.44%	15.17%	29.76%
Selling Area - Square Feet	1,799	3,793	5,627	11,272
Sales Per Square Foot - Selling Area	$923.74	$735.84	$548.90	$294.33
Total Area - Square Feet	16,215	26,457	25,338	36,157
Sales Per Square Foot - Total Area	$101.63	$86.83	$107.28	$87.42
Sales Per Person Employed	$178,743	$194,043	$174,860	$148,356
Sales Per Customer	$96.65	$83.49	$64.27	$80.78

Figures may not add to totals indicated due to rounding.

Outlet Location I

Income Statement Data	Downtown	Suburban	Rural
Number of Outlets	87	119	91
Net Sales Volume	$1,899,804	$3,412,004	$2,135,390
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	1.49%	1.67%	4.87%
Gross Sales	101.62%	102.28%	103.59%
Less: Total Deductions	1.62	2.28	3.59
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.22	74.95	75.57
Margin Before Purchase Rebate or Patronage Dividend	25.78	25.05	24.43
Purchase Rebate or Patronage Dividend	.31	.18	.04
Margin After Purchase Rebate or Patronage Dividend	26.09	25.23	24.48
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	2.15	2.54	1.35
Salaries/Wages - Other Employees	10.43	9.61	11.08
Federal and State Payroll Taxes	1.03	1.12	1.41
Group Insurance	.75	.82	.70
Benefit Plans	.71	.28	.19
Total Payroll and Other Employee Expense	15.07	14.37	14.74
Occupancy Expense			
Heat, Light, Power, Water	.39	.38	.52
Building Repairs and Maintenance	.36	.48	.23
Rent or Ownership in Real Estate**	2.06	1.77	1.95
Total Occupancy Expense	2.81	2.63	2.70
Other Costs of Doing Business			
Advertising and Promotion	1.20	.90	1.04
Insurance (Other than Real Estate and Group)	.74	.67	.56
Taxes (Other than Real Estate and Payroll)	.27	.25	.22
Interest (Other than Real Estate)	.73	1.04	1.15
Depreciation (Other than Real Estate)	.61	.80	1.22
All Other Expenses	3.59	3.74	4.29
Total Other Costs of Doing Business	7.14	7.40	8.48
Total Operating Expenses	25.02	24.41	25.92
Operating Profit or Loss	1.07	.82	-1.44
Other Income	2.11	1.60	1.64
Net Operating Profit or Loss (Before Income Taxes)	3.17	2.42	.20
Financial Performance			
Profit on Investment	12.00%	12.25%	.84%
Active Owner's Return	20.12%	25.10%	6.49%
Current Asset Ratio	3.12	2.50	3.23
Quick Asset Ratio	1.63	1.18	1.38
Total Debt to Tangible Net Worth	60.11%	83.15%	75.59%
Stock Turn Times	4.91	5.32	4.79
Sales to Inventory Ratio	6.61	7.09	6.34
Average Inventory per Sq. Ft. Sales Area	$69.65	$76.06	$37.69
Net Sales to Accounts Receivable	9.49	10.60	12.15
Net Sales to Total Assets	2.36	2.76	2.38
Net Sales to Net Worth	3.78	5.06	4.17
Net Sales to Net Working Capital	4.65	6.28	5.21
Other Operating Data			
Credit Sales - % of Total Gross Sales	75.26%	85.47%	68.43%
Consumer Sales - % of Total Gross Sales	24.74%	14.53%	31.57%
Selling Area - Square Feet	4,812	6,294	9,052
Sales Per Square Foot - Selling Area	$522.79	$541.10	$242.12
Total Area - Square Feet	28,252	26,964	31,260
Sales Per Square Foot - Total Area	$79.73	$115.42	$69.77
Sales Per Person Employed	$163,225	$175,900	$135,738
Sales Per Customer	$48.70	$101.20	$123.80

* As reported to NRHA/HCI by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Building.

Figures may not add to totals indicated due to rounding.

Outlet Location II

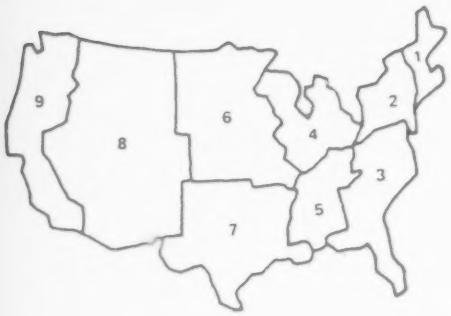
Income Statement Data	Shopping Center	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Outlets	6	115	188
Net Sales Volume	$4,751,757	$2,618,672	$2,463,395
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	1.33%	-.29%	4.62%
Gross Sales	100.81%	101.63%	103.08%
Less: Total Deductions	.81	1.63	3.08
Net sales	100.00%	100.00%	100.00%
Cost of Goods Sold	77.31	74.88	74.83
Margin Before Purchase Rebate or Patronage Dividend	22.69	25.12	25.17
Purchase Rebate or Patronage Dividend	.01	.19	.17
Margin After Purchase Rebate or Patronage Dividend	22.70	25.31	25.34
Payroll and Other Employee Expense			
Salaries - Owners/Officers/Managers	1.82	2.77	1.74
Salaries/Wages - Other Employees	7.91	9.48	10.70
Federal and State Payroll Taxes	.95	1.09	1.25
Group Insurance	.49	.84	.74
Benefit Plans	.73	.22	.45
Total Payroll and Other Employee Expense	11.91	14.40	14.89
Occupancy Expense			
Heat, Light, Power, Water	.38	.43	.41
Building Repairs and Maintenance	.16	.45	.37
Rent or Ownership in Real Estate**	1.54	1.97	1.80
Total Occupancy Expense	2.07	2.85	2.59
Other Costs of Doing Business			
Advertising and Promotion	.89	.94	1.05
Insurance (Other than Real Estate and Group)	.33	.86	.53
Taxes (Other than Real Estate and Payroll)	.07	.24	.27
Interest (Other than Real Estate)	1.41	1.12	.90
Depreciation (Other than Real Estate)	.48	.82	.91
All Other Expenses	2.91	4.05	3.81
Total Other Costs of Doing Business	6.09	8.03	7.47
Total Operating Expenses	20.07	25.28	24.95
Operating Profit or Loss	2.63	.03	.39
Other Income	1.39	1.54	1.80
Net Operating Profit or Loss (Before Income Taxes)	4.01	1.57	2.19
Financial Performance			
Profit on Investment	21.08%	8.73%	8.83%
Active Owner's Return	30.64%	24.16%	15.86%
Current Asset Ratio	2.74	2.27	3.21
Quick Asset Ratio	1.47	1.03	1.55
Total Debt to Tangible Net Worth	101.16%	102.80%	63.65%
Stock Turn Times	6.88	5.06	5.03
Sales to Inventory Ratio	8.90	6.76	6.72
Average Inventory per Sq. Ft. Sales Area	$73.64	$66.37	$53.58
Net Sales to Accounts Receivable	9.52	11.01	10.50
Net Sales to Total Assets	2.61	2.74	2.46
Net Sales to Net Worth	5.25	5.56	4.03
Net Sales to Net Working Capital	6.42	6.72	5.01
Other Operating Data			
Credit Sales - % of Total Gross Sales	51.21%	81.22%	76.14%
Consumer Sales - % of Total Gross Sales	48.79%	18.78%	23.86%
Selling Area - Square Feet	7,250	6,077	7,498
Sales Per Square Foot - Selling Area	$655.41	$454.11	$374.24
Total Area - Square Feet	26,897	26,169	30,247
Sales Per Square Foot - Total Area	$176.66	$97.09	$85.20
Sales Per Person Employed	$222,739	$164,627	$156,061
Sales Per Customer	$174.48	$44.32	$71.26

* As reported to NRHA/HCI by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Building.

Figures may not add to totals indicated due to rounding.

Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania
3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin
5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee
6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas
8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming
9. **Pacific**
   California, Oregon, Washington

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** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Income Statement Data	1 New England
Number of Stores	7
Net Sales Volume	$2,867,901
Current year's sales vs. previous year (1990 vs. 1989)*	-13.25%
Gross Sales	100.68%
Less: Total Deductions	.68
Net Sales	100.00%
Cost of Goods Sold	75.41
Margin Before Purchase Rebate orPatronage Dividend	24.59
Purchase Rebate or Patronage Dividend	.09
Margin After Purchase Rebate or Patronage Dividend	24.69
Payroll and Other Employee Expense	
Salaries -- Owners/Officers/Managers	2.30
Salaries/Wages -- Other Employees	8.61
Federal and State Payroll Taxes	.91
Group Insurance	.58
Benefit Plans	.93
Total Payroll and Other Employee Expense	13.33
Occupancy Expense	
Heat, Light, Power, Water	.36
Building Repairs and Maintenance	.22
Rent or Ownership in Real Estate**	2.92
Total Occupancy Expense	3.50
Other Costs of Doing Business	
Advertising and Promotion	.35
Insurance (Other than Real Estate and Group)	1.07
Taxes (Other than Real Estate and Payroll)	.06
Interest (Other than Real Estate)	.50
Depreciation (Other than Real Estate)	.73
All Other Expenses	4.30
Total Other Costs of Doing Business	7.02
Total Operating Expense	23.85
Operating Profit or Loss	.83
Other Income	1.13
Net Operating Profit or Loss (Before Income Taxes)	1.97

Financial Performance

Profit on Investment	6.57%
Active Owner's Return	14.26%
Current Asset Ratio	3.834x
Quick Asset Ratio	2.32x
Total Debt to Tangible Net Worth	43.99%
Stock Turn Times	6.58x
Sales to Inventory Ratio	8.72x
Average Inventory per Sq. Ft. Sales Area	$70.30
Net Sales to Accounts Receivable	11.42x
Net Sales to Total Assets	2.32x
Net Sales to Net Worth	3.34x
Net Sales to Net Working Capital	4.66x

Other Operating Data

Credit Sales -- % of Total Gross Sales	61.04%
Consumer Sales -- % of Total Gross Sales	38.96%
Selling Area -- Square Feet	4,967
Sales Per Square Foot -- Selling Area	$636.22
Total Area -- Square Feet	24,300
Sales Per Square Foot -- Total Area	$130.04
Sales Per Person Employed	$250,941
Sales Per Customer	$39.90

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West South Central	7 West North Central	8 Mountain	9 Pacific
39	28	54	13	27	107	10	31
$3,055,574	$3,576,142	$2,866,226	$2,719,827	$1,794,701	$1,932,036	$1,331,928	$3,351,003
-1.99%	1.64%	5.38%	6.12%	5.55%	5.55%	13.31%	.37%
101.01%	101.17%	103.13%	104.41%	102.19%	102.95%	101.32%	103.26%
1.01	1.17	3.13	4.41	2.19	2.95	1.32	3.26
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
74.09	76.62	74.42	75.77	73.77	75.41	74.48	74.54
25.91	23.38	25.58	24.23	26.23	24.59	25.52	25.46
.20	.17	.16	.13	.12	.21	.20	.11
26.11	23.55	25.74	24.37	26.35	24.80	25.72	25.57
3.61	2.74	1.99	3.43	3.21	.63	3.28	1.91
8.79	10.03	10.06	8.33	9.70	11.84	8.83	9.80
1.06	1.01	1.10	.95	1.05	1.32	1.19	1.39
.96	.80	1.12	.54	.69	.44	.68	.81
.25	.25	.36	.34	.39	.38	.58	.50
14.67	14.83	14.62	13.59	15.04	14.60	14.56	14.40
.53	.37	.39	.34	.37	.51	.42	.25
.27	.46	.60	.29	.47	.33	.32	.32
2.52	1.44	1.53	1.84	1.76	1.73	1.49	1.95
3.31	2.27	2.53	2.47	2.60	2.57	2.23	2.52
1.04	.77	1.14	.81	1.03	1.17	.83	.84
.78	.71	.48	.75	.73	.65	1.15	.47
.14	.15	.30	.34	.07	.30	.31	.38
1.00	.87	1.00	1.15	1.26	1.10	1.31	1.05
.73	.77	.80	.84	.58	1.18	.57	.66
4.46	4.04	3.64	4.08	3.34	3.82	3.90	3.52
8.16	7.30	7.36	7.98	7.01	8.21	8.08	6.93
26.14	24.41	24.51	24.05	24.65	25.39	24.87	23.84
-.03	-.86	1.23	.32	1.70	-.59	.85	1.73
1.56	1.89	1.32	1.95	2.12	1.77	1.92	1.85
1.52	1.03	2.55	2.28	3.82	1.18	2.77	3.58
9.01%	3.92%	12.93%	12.95%	16.44%	4.46%	12.65%	21.08%
30.35%	14.36%	23.02%	32.44%	30.25%	6.82%	27.62%	32.31%
1.93	3.29	2.46	2.09	2.88	4.17	3.63	2.38
.86	1.68	1.22	1.02	1.37	1.76	1.53	1.20
109.34%	61.08%	93.46%	112.79%	91.78%	60.98%	113.08%	79.51%
5.01	4.95	5.29	5.92	4.32	4.64	3.95	6.18
6.77	6.46	7.10	7.81	5.86	6.15	5.31	8.29
$69.30	$95.74	$81.63	$52.61	$73.17	$32.51	$57.92	$80.01
11.51	7.94	8.84	10.96	9.41	14.38	9.11	11.50
2.82	2.37	2.63	2.67	2.25	2.34	2.14	3.28
5.91	3.81	5.08	5.69	4.31	3.77	4.57	5.89
7.88	4.60	5.96	7.56	4.73	4.68	4.14	7.20
76.07%	78.01%	84.47%	78.97%	82.69%	67.60%	80.54%	88.90%
23.93%	21.99%	15.53%	21.03%	17.31%	32.40%	19.46%	11.10%
6,555	5,784	5,354	5,994	4,178	11,089	3,761	5,111
$473.14	$618.29	$583.50	$433.90	$460.91	$211.98	$292.95	$662.70
23,244	27,400	31,981	31,532	25,784	36,569	13,520	18,754
$135.22	$123.57	$93.74	$82.48	$72.06	$57.73	$80.02	$144.45
$183,753	$149,006	$182,822	$151,101	$162,900	$129,044	$136,676	$210,947
$92.08	$144.06	$97.73	$79.43	$72.28	$47.86	$64.89	$52.41

Trade Area Size

Income Statement Data	M.S.A.[9] Central City	M.S.A.[9] Suburban	Cities 10,000 - 50,000	Towns Under 10,000
Number of Stores	80	24	99	110
Net Sales Volume	$2,741,819	$3,667,173	$2,602,299	$2,054,541
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	5.83%	3.91%	.39%	2.30%
Gross Sales	104.23%	100.58%	102.03%	102.13%
Less: Total Deductions	4.23	.58	2.03	2.13
Net sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	75.21	75.47	74.97	74.48
Margin Before Purchase Rebate or Patronage Dividend	24.79	24.53	25.03	25.52
Purchase Rebate or Patronage Dividend	.12	.11	.20	.22
Margin After Purchase Rebate or Patronage Dividend	24.91	24.64	25.23	25.75
Payroll and Other Employee Expense				
Salaries - Owners/Officers/Managers	1.15	2.22	2.05	3.12
Salaries/Wages - Other Employees	11.31	9.86	10.33	8.85
Federal and State Payroll Taxes	1.30	1.01	1.13	1.12
Group Insurance	.70	1.11	.62	.86
Benefit Plans	.29	.26	.56	.23
Total Payroll and Other Employee Expense	14.75	14.46	14.68	14.17
Occupancy Expense				
Heat, Light, Power, Water	.48	.32	.36	.46
Building Repairs and Maintenance	.42	.54	.43	.26
Rent or Ownership in Real Estate**	1.83	1.63	1.84	1.98
Total Occupancy Expense	2.73	2.48	2.64	2.70
Other Costs of Doing Business				
Advertising and Promotion	.89	1.25	1.11	.90
Insurance (Other than Real Estate and Group)	.55	.45	.65	.84
Taxes (Other than Real Estate and Payroll)	.19	.21	.31	.26
Interest (Other than Real Estate)	.98	.66	1.12	1.13
Depreciation (Other than Real Estate)	1.18	.69	.72	.74
All Other Expenses	3.75	3.26	4.02	4.13
Total Other Costs of Doing Business	7.55	6.51	7.93	8.01
Total Operating Expenses	25.03	23.45	25.25	24.87
Operating Profit or Loss	-.12	1.19	-.02	.87
Other Income	1.07	1.09	2.19	1.98
Net Operating Profit or Loss (Before Income Taxes)	.95	2.28	2.17	2.85
Financial Performance				
Profit on Investment	4.24%	8.95%	9.37%	15.02%
Active Owner's Return	9.39%	17.68%	18.23%	31.42%
Current Asset Ratio	3.26	3.58	2.79	2.35
Quick Asset Ratio	1.36	1.84	1.45	1.04
Total Debt to Tangible Net Worth	68.46%	45.53%	80.97%	101.20%
Stock Turn Times	5.04	5.36	5.36	4.67
Sales to Inventory Ratio	6.70	7.11	7.16	6.27
Average Inventory per Sq. Ft. Sales Area	$41.60	$97.80	$72.67	$65.57
Net Sales to Accounts Receivable	13.64	8.86	9.79	10.31
Net Sales to Total Assets	2.66	2.70	2.39	2.62
Net Sales to Net Worth	4.48	3.93	4.32	5.26
Net Sales to Net Working Capital	5.56	4.93	5.31	6.16
Other Operating Data				
Credit Sales - % of Total Gross Sales	73.10%	74.57%	87.20%	78.23%
Consumer Sales - % of Total Gross Sales	26.90%	25.43%	12.80%	21.77%
Selling Area - Square Feet	9,908	5,177	6,840	5,036
Sales Per Square Foot - Selling Area	$278.53	$704.34	$589.73	$417.73
Total Area - Square Feet	37,146	27,866	32,400	20,448
Sales Per Square Foot - Total Area	$74.28	$116.32	$101.97	$103.12
Sales Per Person Employed	$143,608	$183,574	$165,975	$166,823
Sales Per Customer	$137.99	$102.89	$71.55	$45.38

* As reponed to NRHA/HCI by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Building.

[9] Metropolitan Statistical Area

Figures may not add to totals indicated due to rounding.

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Number of Outlets

Income Statement Data	Single Store Outlet	Multiple Store Outlet
Number of Stores	157	161
Net Sales Volume	$2,384,540	$2,702,251
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	2.92%	2.71%
Gross Sales	102.01%	102.91%
Less: Total Deductions	2.01	2.91
Net sales	100.00%	100.00%
Cost of Goods Sold	74.04	75.71
Margin Before Purchase Rebate or Patronage Dividend	25.96	24.29
Purchase Rebate or Patronage Dividend	.16	.18
Margin After Purchase Rebate or Patronage Dividend	26.12	24.46
Payroll and Other Employee Expense		
Salaries - Owners/Officers/Managers	2.86	1.51
Salaries/Wages - Other Employees	9.90	10.35
Federal and State Payroll Taxes	1.14	1.19
Group Insurance	.88	.66
Benefit Plans	.45	.30
Total Payroll and Other Employee Expense	15.23	14.02
Occupancy Expense		
Heat, Light, Power, Water	.40	.43
Building Repairs and Maintenance	.36	.42
Rent or Ownership in Real Estate**	2.09	1.64
Total Occupancy Expense	2.85	2.48
Other Costs of Doing Business		
Advertising and Promotion	.89	1.09
Insurance (Other than Real Estate and Group)	.79	.54
Taxes (Other than Real Estate and Payroll)	.29	.21
Interest (Other than Real Estate)	1.00	1.06
Depreciation (Other than Real Estate)	.71	.97
All Other Expenses	3.73	3.99
Total Other Costs of Doing Business	7.42	7.86
Total Operating Expenses	25.51	24.36
Operating Profit or Loss	.61	.11
Other Income	1.73	1.65
Net Operating Profit or Loss (Before Income Taxes)	2.34	1.76
Financial Performance		
Profit on Investment	12.10%	7.32%
Active Owner's Return	26.85%	13.60%
Current Asset Ratio	2.60	2.94
Quick Asset Ratio	1.27	1.35
Total Debt to Tangible Net Worth	98.18%	64.41%
Stock Turn Times	5.16	5.00
Sales to nventory Ratio	6.97	6.60
Average Inventory per Sq. Ft. Sales Area	$66.94	$52.53
Net Sales to Accounts Receivable	9.97	11.26
Net Sales to Total Assets	2.60	2.53
Net Sales to Net Worth	5.16	4.16
Net Sales to Net Working Capital	5.84	5.40
Other Operating Data		
Credit Sales - % of Total Gross Sales	76.18%	77.24%
Consumer Sales - % of Total Gross Sales	23.82%	22.76%
Selling Area - Square Feet.	5,209	9,123
Sales Per Square Foot - Selling Area	$471.17	$364.38
Total Area - Square Feet	25,428	33,063
Sales Per Square Foot - Total Area	$95.26	$87.71
Sales Per Person Employed	$166,147	$157,119
Sales Per Customer	$57.51	$82.65

* As reported to NRHA/HCI by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Building.

Figures may not add to totals indicated due to rounding.

Outlet Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Outlets	234	76
Net Sales Volume	$2,701,498	$2,138,978
Current Year's Sales vs. Previous Year (1990 vs. 1989)*	2.87%	2.96%
Gross Sales	103.01%	100.68%
Less: Total Deductions	3.01	.68
Net sales	100.00%	100.00%
Cost of Goods Sold	75.16	73.84
Margin Before Purchase Rebate or Patronage Dividend	24.84	26.16
Purchase Rebate or Patronage Dividend	.15	.25
Margin After Purchase Rebate or Patronage Dividend	24.99	26.41
Payroll and Other Employee Expense		
Salaries - Owners/Officers/Managers	1.86	3.18
Salaries/Wages - Other Employees	10.41	9.18
Federal and State Payroll Taxes	1.17	1.20
Group Insurance	.78	.75
Benefit Plans	.38	.32
Total Payroll and Other Employee Expense	14.60	14.62
Occupancy Expense		
Heat, Light, Power, Water	.39	.52
Building Repairs and Maintenance	.39	.41
Rent or Ownership in Real Estate**	1.87	1.83
Total Occupancy Expense	2.65	2.76
Other Costs of Doing Business		
Advertising and Promotion	.96	1.17
Insurance (Other than Real Estate and Group)	.59	.87
Taxes (Other than Real Estate and Payroll)	.23	.33
Interest (Other than Real Estate)	.94	1.37
Depreciation (Other than Real Estate)	.86	.85
All Other Expenses	3.82	4.09
Total Other Costs of Doing Business	7.40	8.68
Total Operating Expenses	24.65	26.06
Operating Profit or Loss	.34	.35
Other Income	1.63	1.99
Net Operating Profit or Loss (Before Income Taxes)	1.98	2.34
Financial Performance		
Profit on Investment	8.83%	11.73%
Active Owner's Return	17.14%	27.68%
Current Asset Ratio	2.90	2.30
Quick Asset Ratio	1.42	.93
Total Debt to Tangible Net Worth	74.16%	96.25%
Stock Turn Times	5.25	4.53
Sales to Inventory Ratio	6.99	6.13
Average Inventory per Sq. Ft. Sales Area	$60.64	$53.01
Net Sales to Accounts Receivable	10.07	13.45
Net Sales to Total Assets	2.56	2.56
Net Sales to Net Worth	4.47	5.02
Net Sales to Net Working Capital	5.42	6.55
Other Operating Data		
Credit Sales - % of Total Gross Sales	78.54%	61.54%
Consumer Sales - % of Total Gross Sales	21.46%	38.46%
Selling Area - Square Feet	7,098	6,515
Sales Per Square Foot - Selling Area	$441.35	$326.27
Total Area - Square Feet	30,669	23,503
Sales Per Square Foot - Total Area	$94.40	$82.95
Sales Per Person Employed	$164,821	$147,152
Sales Per Customer	$83.04	$33.29

* As reported to NRHA/HCI by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Building.

Figures may not add to totals indicated due to rounding.

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Leading Publicly-Held Companies

Income Statement Data	Grossman's	Home Depot	Lowe's	NHD Stores	Hechinger	Wolohan
Number of Outlets	155	145	309	35	120[2]	50
Net Sales Volume[1] (millions)	$812.5	$3,815.0	$2,833.0	$55.9	$1,392.0	$295.6
Net Sales	100.00%	100.00%	100.0%	100.00%	100.00%	100.00%
Cost of Goods Sold	72.4	72.1	75.2	92.6[3]	74.5	72.5
Gross Margin	27.6	27.9	24.8	7.4	25.5	27.5
Expense						
Selling/General/Administrative	26.3	20.9	20.7	4.8	22.6	19.5
Depreciation	1.4	---	1.8	2.4	---	1.9
Interest	---	---	0.6	1.5	0.9	0.8
Total Expenses	27.7	20.9	23.1	8.7	23.5	22.2
Net Operating Income	-0.1	7.0	3.5	-1.3	2.0	5.3
Balance Sheet Data						
Total Dollar Assets (millions)	$ 318.5	$1,639.0	$1,203.0	$22.9	$792.8	$123.2
Current Assets						
Cash	12.0	8.4	4.1	2.3	6.3	23.2
Accounts Receivable	10.7	3.0	8.0	0.5	9.9	11.8
Inventory	37.5	31.0	38.3	72.6	34.3	22.5
Other Current Assets	1.6	1.1	0.8	4.7	2.3	1.4
Total Current Assets	61.8	43.5	51.2	80.1	52.8	58.9
Fixed Assets						
Land, Building, Lease, etc.	36.8	47.4	42.6	11.4	25.1	44.1
Furniture, Fixtures, Equipment	14.8	11.3	21.9	26.6	17.5	18.7
Depreciation	-14.1	-5.1	-19.5	-22.1	-12.4	-22.8
Other Fixed Assets	0.7	2.9	3.8	4.0	17.0	1.1
Total Fixed Assets	38.2	56.5	48.8	19.9	47.2	41.1
Total Assets	100.00%	100.00%	100.0%	100.00%	100.00%	100.00%
Current Liabilities						
Notes Payable	9.3	0.1	5.4	2.7	0.2	1.0
Accounts Payable	33.0	14.3	15.5	20.7	18.4	10.6
Other Current Liabilities	0.6	10.7	7.2	5.6	---	8.2
Total Current Liabilities	42.9	25.1	28.1	29.0	18.6	19.8
Long Term Liabilities	22.7	33.2	15.2	33.6	28.7	21.4
Total Liabilities	65.6	58.3	43.3	62.6	47.3	41.2
Net Worth	34.4	41.7	56.7	37.4	52.7	58.8
Liabilities and Net Worth	100.00%	100.00%	100.0%	100.00%	100.00%	100.00%
Financial Performance						
Gross Margin Return on Investment	$1.98	$2.09	$1.52	$0.29	$1.31	$2.93
Net Profit (Before Tax) to Net Sales	0.00%	6.81%	3.54%	-1.25%	2.00%	5.32%
Net Profit (Before Tax) to Net Worth	0.00%	38.06%	14.64%	-8.17%	6.69%	21.71%
Total Assets to Net Worth	2.91x	2.40x	1.76x	2.67x	1.90x	1.70x
Net Sales to Total Assets	2.55x	2.33x	2.35x	2.45x	1.76x	2.40x
Net Sales to Inventory	6.80x	7.50x	6.15x	3.37x	5.13x	10.67x
Other Operating Data						
Average Size of Selling Area	30,439	91,572	22,854	NA	53,100	25,760
Sales Per Square Foot -- Selling Area	$172.22	$287.34	$429.00	NA	$218.49	$229.48
Inventory Per Square Foot	$25.33	$38.34	$69.80	NA	$42.61	$21.51
Sales Per Person Employed	$156,247	$177,458	$182,123	$86,585	NA	$179,133
Sales Per Customer	NA	$33.92	$52.33	NA	NA	NA

[1] Exclusive of Interest Income on other Income

[2] Includes 30 Home Quarters outlets and 6 Triangle Building Centers.

[3] NHD Stores includes operating expenses in cost-of-goods-sold; thus total expenses appear to be lower as a percent of sales than they really are. This practice also has the effect of inflating cost-of-goods-sold and depressing gross margin when compared to industry averages and other chains.

Departmental Sales

The Departmental Sales section of The Profit Report offers a variety of information for fourteen departments carried in retail lumber outlets.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Profit Report shows 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of the stores who carry Lawn and Garden merchandise. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other lumber outlets which also carry that department.

The Profit Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report -- only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a hardlines retailer carries only four departments -- Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Profit Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{110.0}$	= 13.6%
Hand Tools	$\frac{10.0}{110.0}$	= 9.1%
Paint & Home Decorating	$\frac{20.0}{110.0}$	= 18.2%
Lumber/Building Materials	$\frac{65.0}{110.0}$	=59.1%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for lumber/building materials operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example is 1.75 which means $1.75 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

Individual operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

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Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	97.7	7.3	21.6	11.4	116.26	7.0	21.6	11.1
Hand Tools	94.6	2.5	5.9	3.6	119.44	2.3	5.7	3.3
Power Tools & Accessories	92.2	1.9	4.7	3.1	135.09	1.7	4.2	2.7
Plumbing, Heating & Cooling	87.6	4.5	8.1	4.9	138.02	3.9	6.6	4.2
Electrical Supplies	89.9	2.7	7.1	3.6	105.28	2.4	5.7	3.2
Paint & Home Decorating	96.1	5.1	12.2	6.8	138.96	4.8	11.7	6.4
Lumber	100.0	37.9	7.8	32.2	1,706.69	37.5	7.8	32.3
Building Materials	100.0	34.4	27.0	30.8	985.16	34.4	27.0	30.8
Lawn & Garden	69.0	2.2	5.4	2.9	203.45	1.4	3.3	2.0
Housewares	24.0	1.3	2.8	.8	154.89	.4	.8	.2
Automotive Supplies	26.4	.6	1.9	.6	111.35	.2	.6	.1
Major Appliances & Home Entertainment	8.5	5.8	14.8	3.0	164.33	.4	1.1	.1
Sporting Goods & Outdoor Living	17.8	.7	1.7	.7	294.44	.2	.3	.1
Miscellaneous Goods	55.8	5.3	6.8	5.2	102.62	3.4	3.6	3.5
					Total	100.0%	100.0%	100.0%

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	40.7	4.5	1.83
Hand Tools	35.3	4.1	1.45
Power Tools & Accessories	27.7	3.4	.94
Plumbing, Heating & Cooling	37.9	4.0	1.52
Electrical Supplies	37.0	3.7	1.37
Paint & Home Decorating	36.2	4.2	1.52
Lumber	24.0	8.7	2.09
Building Materials	27.4	7.8	2.14
Lawn & Garden	33.1	4.5	1.49
Housewares	33.7	7.4	2.49
Automotive Supplies	34.1	6.4	2.18
Major Appliances & Home Entertainment	NA	NA	NA
Sporting Goods & Outdoor Living	NA	NA	NA
Miscellaneous Goods	32.7	5.5	1.80

Definition of Terms

Income Statement Data -- The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Management Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume -- The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions -- Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold -- Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend -- The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend -- Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the retailer.

Salaries -- Owners/Officers/Managers -- The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages -- Other Employees -- The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes -- Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance -- All premiums paid to insured employees for health and accident protection.

Benefit Plans -- The employers' share of cost for employee welfare/benefit plans -- life insurance, retirement, education, etc.

Heat, Light, Power and Water -- All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance -- All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) -- All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage -- The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate -- Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion -- Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations -- All gifts given from the business operation to charity.

Telephone and Telegraph -- For expenses incurred in the operation of the business.

Bad Debts -- Uncollectable debts.

Delivery Expenses (Other than Wages) -- All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance -- Premiums paid to insure all assets against fire, theft, etc.

Taxes -- All taxes on stock, fixtures, delivery equipment, etc.

Depreciation -- All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense -- Bank charges for processing credit card sales.

Interest -- The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies -- The costs of all supplies used in the operation of the store.

Legal and Accounting -- The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services -- Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions -- Fees for memberships and subscriptions, and expenses for employee training.

Travel and Entertainment -- All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services -- All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified -- All expenses not classified under other headings.

Net Operating Profit -- Return on sales before other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income -- Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) -- The net return from the operation of the business.

Balance Sheet -- The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets -- Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year -- all prepaid expenses.

Investments -- Assets with a long term life such as stocks and bonds or real estate which is not needed to operate a business.

Fixed Assets -- Assets with a long-term life which are needed to carry out a firm's normal business activities. The Management Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities -- All debts which are due within one year -- accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities -- All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth -- Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements -- the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times."
- Measures the ability to pay short term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times."
- Measure the ability to pay Current Debts form Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times."
- Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- Computed by dividing Net Sales by Average Inventory; expressed in "times."
- Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Square Foot of Sales Area
- Computed by dividing Average Inventory by Square feet of Sales Area; expressed in dollar value of inventory at cost.
- A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- Computed by dividing Net Sales by Accounts Receivable; expressed in "times."
- Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- Computed by dividing Net Sales by Total Assets; expressed in "times."
- Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- Computed by dividing Net Sales by Tangible Net Worth; expressed in "times."
- Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times."
- Measures the demand on working capital to support the sales volume.

Sales Per Square Foot -- Selling Area
- Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- Measures sales productivity.

Sales Per Square Foot - Total Area
- Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory -- (GMROI)
- Computed by taking gross margin percentage times sales to inventory ratio.
- Considers both margin and turnover.
- Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested inventory.

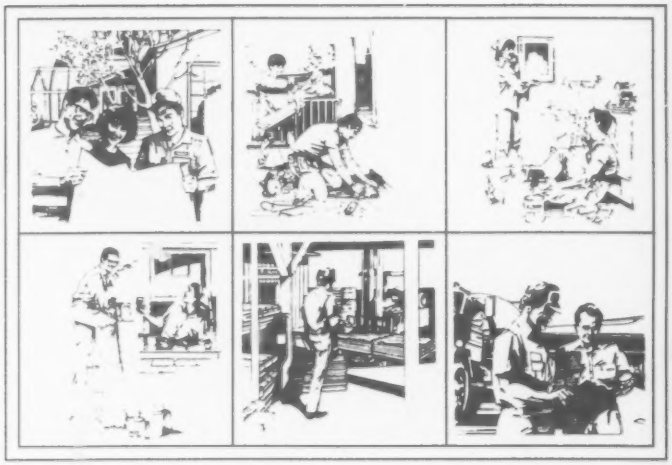
Product Knowledge is Selling Power

Give your Sales Force the Selling Power they Need with

Building Material Product Knowledge

A Correspondence Course

From NRHA/HCI.



Knowledge is Power. Do-it-yourselfers depend on the advice of knowledgeable salespeople. The reliance on this knowledge offers a unique opportunity to cross-sell a wide variety of items related to the customers' projects. Only an employee with a broad knowledge of the types and uses of the building materials available in your store can do this kind of selling.

With *Building Material Product Knowledge* as a training tool for your employees, you are investing in your sales force. This investment will pay off with an increase in your sales.

Designed as a correspondence course and written in simple, non-technical language, *BMPK* covers practically every type of building material. Each chapter includes selling tips and techniques as well as a test which is returned to NRHA for grading.

Packed with illustrations, charts and tables, this course organizes a great deal of information and makes learning easy.

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No Risk to You. 100% Money-Back Guarantee! If you are not completely satisfied, just return the product for a cheerful refund.

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Shipping & Handling + 5.00

GRAND TOTAL _____

Please send to:

Name _____

Company _____

Address _____

City, State, Zip _____

❑ Check Enclosed ❑Charge my ❑MasterCard ❑Visa ❑AmEx

Account Number _____

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